Duke Energy Ohio, Inc.
Form 10-Q
August 08, 2012

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended June 30, 2012 or

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

ssion nber	Exact name of registrants as specified in their charters, addresses of principal executive offices, telephone numbers and states of incorporation	IRS Em Identifica
53	**DUKE ENERGY CORPORATION** **550 South Tryon Street** **Charlotte, NC 28202-1803** **704-382-3853** **State of Incorporation: Delaware**	20-277
28	**DUKE ENERGY CAROLINAS, LLC** **526 South Church Street** **Charlotte, NC 28202-1803**	56-020

704-382-3853

State of Incorporation: North Carolina

32 **DUKE ENERGY OHIO, INC.** **31-024**

139 East Fourth Street

Cincinnati, OH 45202

704-382-3853

State of Incorporation: Ohio

43 **DUKE ENERGY INDIANA, INC.** **35-059**

1000 East Main Street

Plainfield, IN 46168

704-382-3853

State of Incorporation: Indiana

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Duke Energy Corporation (Duke Energy)	Yes x	No ¨	Duke Energy Ohio, Inc. (Duke Energy Ohio)	Yes x	No ¨
Energy Carolinas, LLC (Duke Energy Carolinas)	Yes x	No ¨	Duke Energy Indiana, Inc. (Duke Energy Indiana)	Yes x	No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Duke Energy	Yes x	No ¨	Duke Energy Ohio	Yes x	No ¨
Duke Energy Carolinas	Yes x	No ¨	Duke Energy Indiana	Yes x	No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

	Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company
Duke Energy	x	¨	¨	¨
Duke Energy Carolinas				

	Large accelerated filer ¨	Accelerated filer ¨	Non-accelerated filer x	Smaller reporting company ¨
Duke Energy Ohio	Large accelerated filer ¨	Accelerated filer ¨	Non-accelerated filer x	Smaller reporting company ¨
Duke Energy Indiana	Large accelerated filer ¨	Accelerated filer ¨	Non-accelerated filer x	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Duke Energy	Yes ¨	No x	Duke Energy Ohio	Yes ¨	No x
Duke Energy Carolinas	Yes ¨	No x	Duke Energy Indiana	Yes ¨	No x

Indicate the number of shares outstanding of each of the Issuer's classes of common stock, as of the latest practicable date.

Outstanding as of

August 3, 2012

Registrant	**Description**	**Shares**
Duke Energy	Common Stock, par value $0.001	704,125,200
Duke Energy Carolinas	All of the registrant's limited liability company member interests are directly owned by Duke Energy.	
Duke Energy Ohio	All of the registrant's common stock is indirectly owned by Duke Energy.	
Duke Energy Indiana	All of the registrant's common stock is indirectly owned by Duke Energy.	

This combined Form 10-Q is filed separately by four registrants: Duke Energy, Duke Energy Carolinas, Duke Energy Ohio and Duke Energy Indiana (collectively the Duke Energy Registrants). Information contained herein relating to any individual registrant is filed by such registrant solely on its own behalf. Each registrant makes no representation as to information relating exclusively to the other registrants.

Duke Energy Carolinas, Duke Energy Ohio and Duke Energy Indiana meet the conditions set forth in General Instructions H(1)(a) and (b) of Form 10-Q and are therefore filing this form with the reduced disclosure format specified in General Instructions H(2) of Form 10-Q.

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FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2012

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This document includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are based on management's beliefs and assumptions. These forward-looking statements, which are intended to cover Duke Energy and the applicable Duke Energy Registrants, are identified by terms and phrases such as "anticipate," "believe," "intend," "estimate," "expect," "continue," "should," "could," "may," "plan," "project," "predict," "potential," "forecast," "target," "guidance," "outlook," and similar expressions. Forward-looking statements involve risks and uncertainties that may cause actual results to be materially different from the results predicted. Factors that could cause actual results to differ materially from those indicated in any forward-looking statement include, but are not limited to:

- State, federal and foreign legislative and regulatory initiatives, including costs of compliance with existing and future environmental requirements, as well as rulings that affect cost and investment recovery or have an impact on rate structures;

- The ability to recover eligible costs and earn an adequate return on investment through the regulatory process;

- The scope of necessary repairs of the delamination of Crystal River Unit 3 Nuclear Plant could prove more extensive than is currently identified, such repairs could prove not to be feasible resulting in early retirement of the unit, the cost of repair and/or replacement power could exceed estimates and insurance coverage or may not be recoverable through the regulatory process;

- The ability to maintain relationships with customers, employees or suppliers post-merger;

- The ability to successfully integrate the Progress Energy businesses and realize cost savings and any other synergies expected from the merger;

- The risk that the credit ratings of the combined company or its subsidiaries may be different from what the companies expect;

- The impact of compliance with material restrictions of conditions related to the Progress Energy merger imposed by regulators could exceed our expectations;

- Costs and effects of legal and administrative proceedings, settlements, investigations and claims;

- Industrial, commercial and residential growth or decline in the respective Duke Energy Registrants' service territories, customer base or customer usage patterns;

- Additional competition in electric markets and continued industry consolidation;

- Political and regulatory uncertainty in other countries in which Duke Energy conducts business;

- The influence of weather and other natural phenomena on each of the Duke Energy Registrants' operations, including the economic, operational and other effects of storms, hurricanes, droughts and tornadoes;

- The ability to recover, in a timely manner, if at all, costs associated with future significant weather events through the regulatory process;

- The impact on the Duke Energy Registrants' facilities and business from a terrorist attack;

- The inherent risks associated with the operation and potential construction of nuclear facilities, including environmental, health, safety, regulatory and financial risks;

- The timing and extent of changes in commodity prices, interest rates and foreign currency exchange rates;

- Unscheduled generation outages, unusual maintenance or repairs and electric transmission system constraints;

- The performance of electric generation facilities and of projects undertaken by Duke Energy's non-regulated businesses;

- The results of financing efforts, including the Duke Energy Registrants' ability to obtain financing on favorable terms, which can be affected by various factors, including the respective Duke Energy Registrants' credit ratings and general economic conditions;

- Declines in the market prices of equity securities and resultant cash funding requirements for Duke Energy's defined benefit pension plans and nuclear decommissioning trust funds;

- The level of creditworthiness of counterparties to Duke Energy Registrants' transactions;

- Employee workforce factors, including the potential inability to attract and retain key personnel;

- Growth in opportunities for the respective Duke Energy Registrants' business units, including the timing and success of efforts to develop domestic and international power and other projects;

- Construction and development risks associated with the completion of Duke Energy Registrants' capital investment projects in existing and new generation facilities, including risks related to financing, obtaining and complying with terms of permits, meeting construction budgets and schedules, and satisfying operating and environmental performance standards, as well as the ability to recover costs from ratepayers in a timely manner or at all;

- The effect of accounting pronouncements issued periodically by accounting standard-setting bodies;

- The impact of potential goodwill impairments;

- The ability to successfully complete future merger, acquisition or divestiture plans.

In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than Duke Energy has described. The Duke Energy Registrants undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

DUKE ENERGY CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions, except per-share amounts)	**2012**	**2011**	**2012**	**2011**
Operating Revenues				
Regulated electric	**$ 2,628**	$ 2,576	**$ 5,129**	$ 5,149
Non-regulated electric, natural gas, and other	**868**	864	**1,826**	1,719
Regulated natural gas	**81**	94	**252**	329
Total operating revenues	**3,577**	3,534	**7,207**	7,197
Operating Expenses				
Fuel used in electric generation and purchased power - regulated	**849**	834	**1,626**	1,646
Fuel used in electric generation and purchased power - non-regulated	**396**	388	**844**	764
Cost of natural gas and coal sold	**42**	63	**144**	214
Operation, maintenance and other	**862**	959	**1,608**	1,839
Depreciation and amortization	**475**	437	**954**	891
Property and other taxes	**171**	169	**355**	355
Impairment charges		9	**402**	9
Total operating expenses	**2,795**	2,859	**5,933**	5,718
Gains on Sales of Other Assets and Other, net	**4**	4	**7**	14
Operating Income	**786**	679	**1,281**	1,493
Other Income and Expenses				
Equity in earnings of unconsolidated affiliates	**40**	48	**85**	80
Impairments and gains on sales of unconsolidated affiliates	**(1)**	12	**(6)**	14
Other income and expenses, net	**70**	97	**159**	214
Total other income and expenses	**109**	157	**238**	308
Interest Expense	**232**	203	**456**	422
Income From Continuing Operations Before Income Taxes	**663**	633	**1,063**	1,379
Income Tax Expense from Continuing Operations	**214**	192	**317**	425
Income From Continuing Operations	**449**	441	**746**	954
(Loss) Income From Discontinued Operations, net of tax	**(1)**		**1**	
Net Income	**448**	441	**747**	954

Less: Net Income Attributable to Noncontrolling Interests	**4**	6	**8**	8
Net Income Attributable to Duke Energy Corporation	**$ 444**	$ 435	**$ 739**	$ 946
Earnings Per Share - Basic and Diluted				
Income from continuing operations attributable to Duke Energy Corporation common shareholders				
Basic	**$ 0.99**	$ 0.98	**$ 1.65**	$ 2.13
Diluted	**$ 0.99**	$ 0.98	**$ 1.65**	$ 2.13
Income from discontinued operations attributable to Duke Energy Corporation common shareholders				
Basic	**$**	$	**$**	$
Diluted	**$**	$	**$**	$
Net Income attributable to Duke Energy Corporation common shareholders				
Basic	**$ 0.99**	$ 0.98	**$ 1.65**	$ 2.13
Diluted	**$ 0.99**	$ 0.98	**$ 1.65**	$ 2.13
Dividends declared per share	**$ 1.515**	$ 1.485	**$ 2.265**	$ 2.22
Weighted-average shares outstanding				
Basic	**446**	444	**446**	444
Diluted	**446**	444	**446**	444

DUKE ENERGY CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	**2012**	**2011**	**2012**	**2011**
Net income	**$ 448**	$ 441	**$ 747**	$ 954
Other comprehensive (loss) income, net of tax				
Foreign currency translation adjustments	**(131)**	65	**(87)**	96
Pension and OPEB adjustments[a]	**2**	2	**6**	(7)
Net unrealized loss on cash flow hedges[b]	**(30)**	(7)	**(17)**	(5)
Reclassification into earnings from cash flow hedges[c]	**3**	1	**2**	2
Unrealized gain on investments in auction rate securities[d]	**6**	1	**6**	4
Unrealized gain on investments in available for sale securities[e]	**2**		**3**	
Reclassification into earnings from available for sale securities[f]	**(2)**		**(3)**	
Other comprehensive (loss) income, net of tax	**(150)**	62	**(90)**	90
Comprehensive income	**298**	503	**657**	1,044
Less: Comprehensive income attributable to Noncontrolling Interests		9	**4**	11
Comprehensive income attributable to Duke Energy Corporation	**$ 298**	$ 494	**$ 653**	$ 1,033

(a) Net of $1 million tax expense and $3 million tax expense for the three and six months ended June 30, 2012 and insignificant tax expense and $3 tax benefit for the three and six months ended June 30, 2011.
(b) Net of $14 million tax benefit and $9 million tax benefit for the three and six months ended June 30, 2012 and $3 million tax benefit and $2 million tax benefit for the three and six months ended June 30, 2011.
(c) Net of $2 million tax benefit and insignificant tax expense for the three and six months ended June 30, 2012 and $1 million tax expense for the three and six months ended June 30, 2011, respectively.
(d) Net of $2 million tax expense and $3 million tax expense for the three and six months ended June 30, 2012 and $2 million tax benefit and $1 million tax expense for the three and six months ended June 30, 2011.
(e) Net of insignificant tax expense for the three and six months ended June 30, 2012.
(f) Net of insignificant tax benefit for the three and six months ended June 30, 2012.

See Notes to Unaudited Condensed Consolidated Financial Statements

PART I

DUKE ENERGY CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(in millions)	**June 30, 2012**	**December 31, 2011**
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 1,526**	$ 2,110
Short-term investments	**234**	190
Receivables (net of allowance for doubtful accounts of $16 at June 30, 2012 and $35 at December 31, 2011)	**610**	784
Restricted receivables of variable interest entities (net of allowance for doubtful accounts of $43 at June 30, 2012 and $40 at December 31, 2011)	**1,233**	1,157
Inventory	**1,762**	1,588
Other	**1,122**	1,051
Total current assets	**6,487**	6,880
Investments and Other Assets		
Investments in equity method unconsolidated affiliates	**450**	460
Nuclear decommissioning trust funds	**2,204**	2,060
Goodwill	**3,842**	3,849
Intangibles, net	**357**	363
Notes receivable	**72**	62
Restricted other assets of variable interest entities	**133**	135
Other	**1,894**	2,231
Total investments and other assets	**8,952**	9,160
Property, Plant and Equipment		
Cost	**61,458**	60,377
Cost, variable interest entities	**1,357**	913
Accumulated depreciation and amortization	**(19,101)**	(18,709)
Generation facilities to be retired, net	**73**	80
Net property, plant and equipment	**43,787**	42,661
Regulatory Assets and Deferred Debits		
Regulatory assets	**3,646**	3,672
Other	**159**	153
Total regulatory assets and deferred debits	**3,805**	3,825
Total Assets	**$ 63,031**	$ 62,526

See Notes to Unaudited Condensed Consolidated Financial Statements

PART I

DUKE ENERGY CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS — (Continued)
(Unaudited)

(in millions, except per-share amounts)		**June 30, 2012**		**December 31, 2011**
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable	**$**	**1,160**	$	1,433
Notes payable and commercial paper		**793**		154
Non-recourse notes payable of variable interest entities		**269**		273
Taxes accrued		**359**		431
Interest accrued		**254**		252
Current maturities of long-term debt		**1,870**		1,894
Other		**1,434**		1,091
Total current liabilities		**6,139**		5,528
Long-term Debt		**17,539**		17,730
Non-recourse long-term debt of variable interest entities		**915**		949
Deferred Credits and Other Liabilities				
Deferred income taxes		**7,914**		7,581
Investment tax credits		**379**		384
Accrued pension and other post-retirement benefit costs		**829**		856
Asset retirement obligations		**1,999**		1,936
Regulatory liabilities		**2,981**		2,919
Other		**1,820**		1,778
Total deferred credits and other liabilities		**15,922**		15,454
Commitments and Contingencies				
Equity				
Common Stock, $0.001 par value, 2 billion shared authorized; 446 million and 444 million shares outstanding at June 30, 2012 and December 31, 2011, respectively		**1**		1
Additional paid-in capital		**21,140**		21,132
Retained earnings		**1,598**		1,873
Accumulated other comprehensive loss		**(320)**		(234)
Total Duke Energy Corporation shareholders' equity		**22,419**		22,772
Noncontrolling interests		**97**		93
Total equity		**22,516**		22,865
Total Liabilities and Equity	**$**	**63,031**	$	62,526

See Notes to Unaudited Condensed Consolidated Financial Statements

PART I

DUKE ENERGY CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
(in millions)	**2012**	**2011**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	**$ 747**	$ 954
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (including amortization of nuclear fuel)	**1,077**	991
Equity component of AFUDC	**(116)**	(123)
Gains on sales of other assets	**(7)**	(27)
Impairment of other long-lived assets	**408**	9
Deferred income taxes	**230**	461
Equity in earnings of unconsolidated affiliates	**(85)**	(80)
Voluntary opportunity cost deferral	**(101)**	
Accrued pension and other post-retirement benefit costs	**57**	52
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	**(10)**	13
Receivables	**61**	166
Inventory	**(165)**	(85)
Other current assets	**105**	128
Increase (decrease) in		
Accounts payable	**(102)**	(338)
Taxes accrued	**(67)**	(99)
Other current liabilities	**34**	(179)
Other assets	**22**	81
Other liabilities	**(86)**	(207)
Net cash provided by operating activities	**2,002**	1,717
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	**(2,252)**	(1,938)
Investment expenditures	**(9)**	(49)
Acquisitions	**(36)**	(4)
Purchases of available-for-sale securities	**(1,240)**	(1,266)
Proceeds from sales and maturities of available-for-sale securities	**1,155**	1,281
Net proceeds from the sales of other assets, and sales of and collections on notes receivable	**23**	109
Change in restricted cash	**(51)**	24
Other	**19**	5
Net cash used in investing activities	**(2,391)**	(1,838)
CASH FLOWS FROM FINANCING ACTIVITIES		

Proceeds from the:				
Issuance of long-term debt		**721**		499
Issuance of common stock related to employee benefit plans		**14**		10
Payments for the redemption of long-term debt		**(878)**		(82)
Notes payable and commercial paper		**631**		63
Distributions to noncontrolling interests		**(5)**		(18)
Dividends paid		**(670)**		(657)
Other		**(8)**		(2)
Net cash used in financing activities		**(195)**		(187)
Net decrease in cash and cash equivalents		**(584)**		(308)
Cash and cash equivalents at beginning of period		**2,110**		1,670
Cash and cash equivalents at end of period	**$**	**1,526**	$	1,362
Supplemental Disclosures:				
Significant non-cash transactions:				
Accrued capital expenditures	**$**	**216**	$	317
Dividends declared but not paid	**$**	**344**	$	337
Extinguishment of debt related to investment in Attiki Gas Supply, S. A.	**$**	**66**	$	

See Notes to Unaudited Condensed Consolidated Financial Statements

PART I

DUKE ENERGY CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited)

	Duke Energy Corporation Shareholders										
					Accumulated Other Comprehensive Income (Loss)						
	Common Stock Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Foreign Currency Adjustments	Net Gains (Losses) on Cash Flow Hedges	Other	Pension and OPEB Related Adjustments to AOCI	Common Stockholders' Equity	Noncontrolling Interests	Total Equity
(in millions)											
Balance at December 31, 2010	**443**	**$ 1**	**$ 21,023**	**$ 1,496**	**$ 97**	**$ (18)**	**$ (17)**	**$ (60)**	**$ 22,522**	**$ 131**	**$ 22,653**
Net income				946					946	8	954
Other comprehensive income (loss)					93	(3)	4	(7)	87	3	90
Common stock issuances, including dividend reinvestment and employee benefits	1		22						22		22
Common stock dividends				(994)					(994)		(994)
Changes in noncontrolling interest in subsidiaries										(23)	(23)
Balance at June 30,	**444**	**$ 1**	**$ 21,045**	**$ 1,448**	**$ 190**	**$ (21)**	**$ (13)**	**$ (67)**	**$ 22,583**	**$ 119**	**$ 22,702**

2011

Balance at December 31, 2011	**445**	**$ 1**	**$ 21,132**	**$ 1,873**	**$ (45)**	**$ (71)**	**$ (9)**	**$ (109)**	**$ 22,772**	**$ 93**	**$ 22,865**
Net income				739					739	8	747
Other comprehensive (loss) income					(83)	(15)	6	6	(86)	(4)	(90)
Common stock issuances, including dividend reinvestment and employee benefits	1		8						8		8
Common stock dividends				(1,014)					(1,014)		(1,014)
Balance at June 30, 2012	**446**	**$ 1**	**$ 21,140**	**$ 1,598**	**$ (128)**	**$ (86)**	**$ (3)**	**$ (103)**	**$ 22,419**	**$ 97**	**$ 22,516**

See Notes to Unaudited Condensed Consolidated Financial Statements

PART I

DUKE ENERGY CAROLINAS, LLC

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	**2012**	**2011**	**2012**	**2011**
Operating Revenues-Regulated Electric	**$ 1,616**	$ 1,607	**$ 3,117**	$ 3,159
Operating Expenses				
Fuel used in electric generation and purchased power	**442**	511	**822**	980
Operation, maintenance and other	**476**	495	**807**	930
Depreciation and amortization	**226**	190	**454**	391
Property and other taxes	**89**	81	**179**	165
Total operating expenses	**1,233**	1,277	**2,262**	2,466
Gains on Sales of Other Assets and Other, net	**3**	1	**6**	1
Operating Income	**386**	331	**861**	694
Other Income and Expenses, net	**43**	50	**82**	92
Interest Expense	**93**	82	**190**	171
Income Before Income Taxes	**336**	299	**753**	615
Income Tax Expense	**125**	106	**276**	217
Net Income	**211**	193	**477**	398
Other comprehensive income, net of tax				
Reclassification into earnings from cash flow hedges[(a)]	**2**	1	**2**	1
Comprehensive Income	**$ 213**	$ 194	**$ 479**	$ 399

(a) Net of $2 million tax expense for the three and six months ended June 30, 2012 and 2011.

See Notes to Unaudited Condensed Consolidated Financial Statements

PART I

DUKE ENERGY CAROLINAS, LLC
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(in millions)	**June 30, 2012**	December 31, 2011
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 18**	$ 289
Receivables (net of allowance for doubtful accounts of $3 at June 30, 2012 and December 31, 2011)	**351**	1,187
Restricted receivables of variable interest entities (net of allowance for doubtful accounts of $6 at June 30, 2012 and December 31, 2011)	**680**	581
Inventory	**1,024**	917
Other	**327**	278
Total current assets	**2,400**	3,252
Investments and Other Assets		
Nuclear decommissioning trust funds	**2,204**	2,060
Other	**971**	968
Total investments and other assets	**3,175**	3,028
Property, Plant and Equipment		
Cost	**33,505**	32,840
Accumulated depreciation and amortization	**(11,374)**	(11,269)
Generation facilities to be retired, net	**73**	80
Net property, plant and equipment	**22,204**	21,651
Regulatory Assets and Deferred Debits		
Regulatory assets	**1,891**	1,894
Other	**68**	71
Total regulatory assets and deferred debits	**1,959**	1,965
Total Assets	**$ 29,738**	$ 29,896

See Notes to Unaudited Condensed Consolidated Financial Statements

PART I

DUKE ENERGY CAROLINAS, LLC
CONDENSED CONSOLIDATED BALANCE SHEETS — (Continued)
(Unaudited)

(in millions)	**June 30, 2012**	December 31, 2011
LIABILITIES AND MEMBER'S EQUITY		
Current Liabilities		
Accounts payable	**$ 448**	$ 793
Taxes accrued	**109**	126
Interest accrued	**95**	115
Current maturities of long-term debt	**427**	1,178
Other	**481**	398
Total current liabilities	**1,560**	2,610
Long-term Debt	**7,795**	7,796
Non-recourse long-term debt of variable interest entities	**300**	300
Deferred Credits and Other Liabilities		
Deferred income taxes	**4,891**	4,555
Investment tax credits	**230**	233
Accrued pension and other post-retirement benefit costs	**232**	248
Asset retirement obligations	**1,904**	1,846
Regulatory liabilities	**1,993**	1,928
Other	**900**	926
Total deferred credits and other liabilities	**10,150**	9,736
Commitments and Contingencies		
Member's Equity		
Member's Equity	**9,950**	9,473
Accumulated other comprehensive loss	**(17)**	(19)
Total member's equity	**9,933**	9,454
Total Liabilities and Member's Equity	**$ 29,738**	$ 29,896

See Notes to Unaudited Condensed Consolidated Financial Statements

PART I

DUKE ENERGY CAROLINAS, LLC
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(in millions)	Six Months Ended June 30, 2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	**$ 477**	$ 398
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (including amortization of nuclear fuel)	**569**	486
Equity component of AFUDC	**(74)**	(82)
Gains on sales of other assets and other, net	**(6)**	(1)
Deferred income taxes	**275**	311
Voluntary opportunity cost deferral	**(101)**	
Accrued pension and other post-retirement benefit costs	**21**	17
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	**1**	2
Receivables	**53**	143
Inventory	**(99)**	(43)
Other current assets	**8**	141
Increase (decrease) in		
Accounts payable	**(244)**	(322)
Taxes accrued	**(17)**	(29)
Other current liabilities	**76**	(57)
Other assets	**(40)**	(18)
Other liabilities	**(74)**	(143)
Net cash provided by operating activities	**825**	803
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	**(1,006)**	(1,070)
Purchases of available-for-sale securities	**(607)**	(767)
Proceeds from sales and maturities of available-for-sale securities	**591**	743
Change in restricted cash		2
Notes due from affiliate	**679**	(211)
Other	**(1)**	(6)
Net cash used in investing activities	**(344)**	(1,309)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt		499
Payments for the redemption of long-term debt	**(751)**	(1)
Other	**(1)**	(2)
Net cash (used in) provided by financing activities	**(752)**	496

Net decrease in cash and cash equivalents		**(271)**		(10)
Cash and cash equivalents at beginning of period		**289**		153
Cash and cash equivalents at end of period	**$**	**18**	$	143
Supplemental Disclosures:				
Significant non-cash transactions:				
Accrued capital expenditures	**$**	**104**	$	140

See Notes to Unaudited Condensed Consolidated Financial Statements

PART I

DUKE ENERGY CAROLINAS, LLC
CONDENSED CONSOLIDATED STATEMENTS OF MEMBER'S EQUITY
(Unaudited)

(in millions)	Member's Equity	Accumulated Other Comprehensive Income (Loss) Net Gains (Losses) on Cash Flow Hedges	Accumulated Other Comprehensive Income (Loss) Other	Total
Balance at December 31, 2010	$ **8,938**	$ **(20)**	$ **(2)**	$ **8,916**
Net income	398			398
Other comprehensive income		1		1
Balance at June 30, 2011	$ **9,336**	$ **(19)**	$ **(2)**	$ **9,315**
Balance at December 31, 2011	$ **9,473**	$ **(17)**	$ **(2)**	$ **9,454**
Net income	477			477
Other comprehensive income		2		2
Balance at June 30, 2012	$ **9,950**	$ **(15)**	$ **(2)**	$ **9,933**

See Notes to Unaudited Condensed Consolidated Financial Statements

PART I

DUKE ENERGY OHIO, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	**2012**	**2011**	**2012**	**2011**
Operating Revenues				
Regulated electric	$ 336	$ 361	$ 660	$ 733
Non-regulated electric and other	299	239	716	510
Regulated natural gas	82	94	253	330
Total operating revenues	717	694	1,629	1,573
Operating Expenses				
Fuel used in electric generation and purchased power - regulated	120	91	234	188
Fuel used in electric generation and purchased power - non-regulated	176	147	415	311
Cost of natural gas	12	22	87	141
Operation, maintenance and other	175	215	371	420
Depreciation and amortization	80	88	163	176
Property and other taxes	60	63	128	136
Impairment charges		9		9
Total operating expenses	623	635	1,398	1,381
Gains on Sales of Other Assets and Other, net	1		2	2
Operating Income	95	59	233	194
Other Income and Expenses, net	4	4	8	9
Interest Expense	25	27	49	51
Income Before Income Taxes	74	36	192	152
Income Tax Expense	29	3	73	46
Net Income	45	33	119	106
Other Comprehensive Income, net of tax				
Pension and OPEB adjustments[(a)]		1	1	1
Comprehensive Income	$ 45	$ 34	$ 120	$ 107

(a) Net of insignificant tax expense for the three and six months ended June 30, 2012, and insignificant tax expense and $1 million tax expense for the three and six months ended June 30, 2011.

See Notes to Unaudited Condensed Consolidated Financial Statements

PART I

DUKE ENERGY OHIO, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(in millions)	June 30, 2012	December 31, 2011
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 22**	$ 99
Receivables (net of allowance for doubtful accounts of $1 at June 30, 2012 and $16 at December 31, 2011)	**760**	681
Inventory	**262**	243
Other	**258**	220
Total current assets	**1,302**	1,243
Investments and Other Assets		
Goodwill	**921**	921
Intangibles, net	**136**	143
Other	**63**	58
Total investments and other assets	**1,120**	1,122
Property, Plant and Equipment		
Cost	**10,612**	10,632
Accumulated depreciation and amortization	**(2,600)**	(2,594)
Net property, plant and equipment	**8,012**	8,038
Regulatory Assets and Deferred Debits		
Regulatory assets	**529**	520
Other	**15**	16
Total regulatory assets and deferred debits	**544**	536
Total Assets	**$ 10,978**	$ 10,939

See Notes to Unaudited Condensed Consolidated Financial Statements

PART I

DUKE ENERGY OHIO, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS — (Continued)

(Unaudited)

(in millions, except share and per-share amounts)	**June 30, 2012**	December 31, 2011
LIABILITIES AND COMMON STOCKHOLDER'S EQUITY		
Current Liabilities		
Accounts payable	**$ 363**	$ 402
Taxes accrued	**158**	180
Interest accrued	**23**	23
Current maturities of long-term debt	**757**	507
Other	**117**	122
Total current liabilities	**1,418**	1,234
Long-term Debt	**1,794**	2,048
Deferred Credits and Other Liabilities		
Deferred income taxes	**1,882**	1,853
Investment tax credits	**7**	8
Accrued pension and other post-retirement benefit costs	**142**	147
Asset retirement obligations	**28**	27
Regulatory liabilities	**261**	273
Other	**187**	182
Total deferred credits and other liabilities	**2,507**	2,490
Commitments and Contingencies		
Common Stockholder's Equity		
Common Stock, $8.50 par value, 120,000,000 shares authorized; 89,663,086 shares outstanding at June 30, 2012 and December 31, 2011	**762**	762
Additional paid-in capital	**5,057**	5,085
Accumulated deficit	**(533)**	(652)
Accumulated other comprehensive loss	**(27)**	(28)
Total common stockholder's equity	**5,259**	5,167
Total Liabilities and Common Stockholder's Equity	**$ 10,978**	$ 10,939

See Notes to Unaudited Condensed Consolidated Financial Statements

PART I

DUKE ENERGY OHIO, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
(in millions)	**2012**	**2011**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	**$ 119**	$ 106
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**165**	177
Gains on sales of other assets and other, net	**(2)**	(2)
Impairment charges		9
Deferred income taxes	**69**	85
Accrued pension and other post-retirement benefit costs	**6**	6
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	**(11)**	12
Receivables	**51**	124
Inventory	**(20)**	(4)
Other current assets	**29**	15
Increase (decrease) in		
Accounts payable	**(33)**	(79)
Taxes accrued	**(22)**	(55)
Other current liabilities	**(14)**	(6)
Other assets	**(11)**	23
Other liabilities	**(75)**	(45)
Net cash provided by operating activities	**251**	366
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	**(252)**	(230)
Net proceeds from the sales of other assets	**82**	
Notes due from affiliate	**(130)**	86
Change in restricted cash	**(25)**	4
Other	**1**	
Net cash used in investing activities	**(324)**	(140)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments for the redemption of long-term debt	**(4)**	(4)
Dividends to parent		(285)
Net cash used in financing activities	**(4)**	(289)
Net decrease in cash and cash equivalents	**(77)**	(63)
Cash and cash equivalents at beginning of period	**99**	228
Cash and cash equivalents at end of period	**$ 22**	$ 165
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	**$ 37**	$ 25

Transfer of Vermillion Generating Station to Duke Energy Indiana	**$**	**28**	$

See Notes to Unaudited Condensed Consolidated Financial Statements

PART I

DUKE ENERGY OHIO, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMMON STOCKHOLDER'S EQUITY

(Unaudited)

(in millions)	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss) Pension and OPEB Adjustments	Total
Balance at December 31, 2010	**$ 762**	**$ 5,570**	**$ (846)**	**$ (22)**	**$ 5,464**
Net income			106		106
Other comprehensive income				1	1
Dividend to parent		(285)			(285)
Balance at June 30, 2011	**$ 762**	**$ 5,285**	**$ (740)**	**$ (21)**	**$ 5,286**
Balance at December 31, 2011	**$ 762**	**$ 5,085**	**$ (652)**	**$ (28)**	**$ 5,167**
Net income			119		119
Other comprehensive income				1	1
Transfer of Vermillion Generating Station to Duke Energy Indiana		(28)			(28)
Balance at June 30, 2012	**$ 762**	**$ 5,057**	**$ (533)**	**$ (27)**	**$ 5,259**

See Notes to Unaudited Condensed Consolidated Financial Statements

PART I

DUKE ENERGY INDIANA, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	**2012**	**2011**	**2012**	**2011**
Operating Revenues-Regulated Electric	**$ 685**	$ 620	**$ 1,373**	$ 1,279
Operating Expenses				
Fuel used in electric generation and purchased power	**287**	232	**570**	478
Operation, maintenance and other	**151**	163	**311**	324
Depreciation and amortization	**96**	97	**192**	197
Property and other taxes	**17**	19	**38**	41
Impairment charges			**400**	
Total operating expenses	**551**	511	**1,511**	1,040
Operating Income (Loss)	**134**	109	**(138)**	239
Other Income and Expenses, net	**19**	21	**42**	44
Interest Expense	**36**	34	**70**	70
Income (Loss) Before Income Taxes	**117**	96	**(166)**	213
Income Tax Expense (Benefit)	**40**	28	**(76)**	69
Net Income (Loss)	**77**	68	**(90)**	144
Other Comprehensive Income, net of tax				
Reclassification into earnings from cash flow hedges[(a)]			**(1)**	
Comprehensive Income (Loss)	**$ 77**	$ 68	**$ (91)**	$ 144

(a) Net of insignificant tax benefit for the three and six months ended June 30, 2012.

See Notes to Unaudited Condensed Consolidated Financial Statements

PART I

DUKE ENERGY INDIANA, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(in millions)	**June 30, 2012**	December 31, 2011
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 19**	$ 16
Receivables (net of allowance for doubtful accounts of $1 at June 30, 2012 and December 31, 2011)	**190**	198
Inventory	**358**	330
Other	**107**	135
Total current assets	**674**	679
Investments and Other Assets		
Intangibles, net	**44**	50
Other	**111**	113
Total investments and other assets	**155**	163
Property, Plant and Equipment		
Cost	**11,880**	11,791
Accumulated depreciation and amortization	**(3,575)**	(3,393)
Net property, plant and equipment	**8,305**	8,398
Regulatory Assets and Deferred Debits		
Regulatory assets	**781**	798
Other	**24**	24
Total regulatory assets and deferred debits	**805**	822
Total Assets	**$ 9,939**	$ 10,062

See Notes to Unaudited Condensed Consolidated Financial Statements

PART I

DUKE ENERGY INDIANA, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS — (Continued)

(Unaudited)

(in millions, except share and per-share amounts)	**June 30, 2012**	December 31, 2011
LIABILITIES AND COMMON STOCKHOLDER'S EQUITY		
Current Liabilities		
Accounts payable	**$ 209**	$ 273
Notes payable	**113**	300
Taxes accrued	**50**	74
Interest accrued	**55**	50
Current maturities of long-term debt	**5**	6
Other	**132**	93
Total current liabilities	**564**	796
Long-term Debt	**3,702**	3,453
Deferred Credits and Other Liabilities		
Deferred income taxes	**835**	927
Investment tax credits	**142**	143
Accrued pension and other post-retirement benefit costs	**154**	161
Asset retirement obligations	**44**	43
Regulatory liabilities	**695**	683
Other	**134**	122
Total deferred credits and other liabilities	**2,004**	2,079
Commitments and Contingencies		
Common Stockholder's Equity		
Common Stock, no par; $0.01 stated value, 60,000,000 shares authorized; 53,913,701 shares outstanding at June 30, 2012 and December 31, 2011	**1**	1
Additional paid-in capital	**1,384**	1,358
Retained earnings	**2,278**	2,368
Accumulated other comprehensive income	**6**	7
Total common stockholder's equity	**3,669**	3,734
Total Liabilities and Common Stockholder's Equity	**$ 9,939**	$ 10,062

See Notes to Unaudited Condensed Consolidated Financial Statements

PART I

DUKE ENERGY INDIANA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
(in millions)	**2012**	**2011**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) income	**$ (90)**	$ 144
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	**195**	200
Equity component of AFUDC	**(39)**	(39)
Impairment charges	**400**	
Deferred income taxes and investment tax credit amortization	**(73)**	39
Accrued pension and other post-retirement benefit costs	**8**	11
(Increase) decrease in		
Receivables	**8**	89
Inventory	**(28)**	(31)
Other current assets	**19**	6
Increase (decrease) in		
Accounts payable		(9)
Taxes accrued	**(25)**	
Other current liabilities	**17**	(4)
Other assets	**26**	15
Other liabilities	**(35)**	(27)
Net cash provided by operating activities	**383**	394
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	**(439)**	(512)
Purchases of available-for-sale securities	**(8)**	(2)
Proceeds from sales and maturities of available-for-sale securities	**10**	1
Notes due from affiliate		85
Change in restricted cash		4
Other	**(2)**	(3)
Net cash used in investing activities	**(439)**	(427)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	**250**	
Payments for the redemption of long-term debt	**(2)**	(2)
Notes payable to affiliate	**(187)**	
Other	**(2)**	
Net cash provided by (used in) financing activities	**59**	(2)
Net increase (decrease) in cash and cash equivalents	**3**	(35)
Cash and cash equivalents at beginning of period	**16**	54
Cash and cash equivalents at end of period	**$ 19**	$ 19

Supplemental Disclosures:				
Significant non-cash transactions:				
Accrued capital expenditures	**$**	**46**	$	143
Transfer of Vermillion Generating Station from Duke Energy Ohio	**$**	**26**	$	

See Notes to Unaudited Condensed Consolidated Financial Statements

PART I

DUKE ENERGY INDIANA, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMMON STOCKHOLDER'S EQUITY

(Unaudited)

(in millions)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss) Net Gains (Losses) on Cash Flow Hedges	Total
Balance at December 31, 2010	**$ 1**	**$ 1,358**	**$ 2,200**	**$ 8**	**$ 3,567**
Net income			144		144
Balance at June 30, 2011	**$ 1**	**$ 1,358**	**$ 2,344**	**$ 8**	**$ 3,711**
Balance at December 31, 2011	**$ 1**	**$ 1,358**	**$ 2,368**	**$ 7**	**$ 3,734**
Net loss			(90)		(90)
Other comprehensive loss				(1)	(1)
Transfer of Vermillion Generating Station from Duke Energy Ohio		26			26
Balance at June 30, 2012	**$ 1**	**$ 1,384**	**$ 2,278**	**$ 6**	**$ 3,669**

See Notes to Unaudited Condensed Consolidated Financial Statements

PART I

Index to Combined Notes To Unaudited Condensed Consolidated Financial Statements

The unaudited notes to the condensed consolidated financial statements that follow are a combined presentation. The following list indicates the registrants to which the footnotes apply:

	Applicable Notes																		
Registrant	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**18**	**19**
Duke Energy Corporation	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•		•	•
Duke Energy Carolinas, LLC	•	•	•	•	•	•		•	•	•	•			•	•	•	•	•	•
Duke Energy Ohio, Inc.	•	•	•	•	•	•	•	•	•		•			•	•	•	•	•	•
Duke Energy Indiana, Inc.	•	•	•	•	•	•		•	•	•	•			•	•	•	•	•	•

1. Organization and Basis of Presentation

Organization. Duke Energy Corporation (collectively with its subsidiaries, Duke Energy) is an energy company headquartered in Charlotte, North Carolina. Duke Energy operates in the United States (U.S.) primarily through its direct and indirect wholly owned subsidiaries, Duke Energy Carolinas, LLC (Duke Energy Carolinas), Duke Energy Ohio, Inc. (Duke Energy Ohio), which includes Duke Energy Kentucky, Inc. (Duke Energy Kentucky), and Duke Energy Indiana, Inc. (Duke Energy Indiana), as well as in Latin America through International Energy. When discussing Duke Energy's condensed consolidated financial information, it necessarily includes the results of its three separate subsidiary registrants, Duke Energy Carolinas, Duke Energy Ohio and Duke Energy Indiana (collectively referred to as the Subsidiary Registrants), which, along with Duke Energy, are collectively referred to as the Duke Energy Registrants. The information in these combined notes relates to each of the Duke Energy Registrants as noted in the Index to the Combined Notes. However, none of the registrants makes any representation as to information related solely to Duke Energy or the subsidiaries of Duke Energy other than itself. As discussed further in Note 3, Duke Energy operates in three reportable business segments: U.S. Franchised Electric and Gas, Commercial Power and International Energy. The remainder of Duke Energy's operations is presented as Other.

These Unaudited Condensed Consolidated Financial Statements include, after eliminating intercompany transactions and balances, the accounts of the Duke Energy Registrants and all majority-owned subsidiaries where the respective Duke Energy Registrants have control and those variable interest entities (VIEs) where the respective Duke Energy Registrants are the primary beneficiary. These Unaudited Condensed Consolidated Financial Statements also reflect Duke Energy Carolinas' approximate 19.25% proportionate share of the Catawba Nuclear Station, as well as Duke Energy Ohio's proportionate share of certain generation and transmission facilities in Ohio, Indiana and Kentucky and Duke Energy Indiana's proportionate share of certain generation and transmission facilities. In January 2012, Duke Energy Ohio completed the sale of its 75% ownership of the Vermillion Generating Station; upon the close, Duke Energy Indiana purchased a 62.5% interest in the station. See Note 2 for further discussion.

Duke Energy Carolinas, a wholly owned subsidiary of Duke Energy, is an electric utility company that generates, transmits, distributes and sells electricity in North Carolina and South Carolina. Duke Energy

Carolinas is subject to the regulatory provisions of the North Carolina Utilities Commission (NCUC), the Public Service Commission of South Carolina (PSCSC), the U.S. Nuclear Regulatory Commission (NRC) and the Federal Energy Regulatory Commission (FERC). Substantially all of Duke Energy Carolinas' operations are regulated and qualify for regulatory accounting treatment. As discussed further in Note 3, Duke Energy Carolinas' operations include one reportable business segment, Franchised Electric.

Duke Energy Ohio is an indirect wholly owned subsidiary of Duke Energy. Duke Energy Ohio is a combination electric and gas public utility that provides service in the southwestern portion of Ohio and in northern Kentucky through its wholly owned subsidiary Duke Energy Kentucky, as well as electric generation in parts of Ohio, Illinois and Pennsylvania. Duke Energy Ohio's principal lines of business include generation, transmission and distribution of electricity, the sale of and/or transportation of natural gas, and energy marketing. Duke Energy Ohio conducts competitive auctions for retail electricity supply in Ohio whereby the energy price is recovered from retail customers. Duke Energy Kentucky's principal lines of business include generation, transmission and distribution of electricity, as well as the sale of and/or transportation of natural gas. Duke Energy Ohio is subject to the regulatory provisions of the Public Utilities Commission of Ohio (PUCO), the Kentucky Public Service Commission (KPSC) and the FERC. Duke Energy Ohio applies regulatory accounting treatment to substantially all of the operations of its Franchised Electric and Gas operating segment. Through November 2011, Duke Energy Ohio applied regulatory accounting treatment to certain rate riders associated with retail generation of its Commercial Power operating segment. See Note 3 for information about business segments.

Duke Energy Indiana is an indirect wholly owned subsidiary of Duke Energy. Duke Energy Indiana is an electric utility that provides service in north central, central, and southern Indiana. Its primary line of business is generation, transmission and distribution of electricity. Duke Energy Indiana is subject to the regulatory provisions of the Indiana Utility Regulatory Commission (IURC) and the FERC. The substantial majority of Duke Energy Indiana's operations are regulated and qualify for regulatory accounting treatment. As discussed further in Note 3, Duke Energy Indiana's operations include one reportable business segment, Franchised Electric.

See Note 2 for information regarding Duke Energy's merger with Progress Energy, Inc. (Progress Energy) that closed on July 2, 2012. For the periods presented, Duke Energy's condensed consolidated financial information does not include the results of Progress Energy and its registrants. Also, the Duke Energy Registrants, as defined above, does not include Progress Energy, Inc., Progress Energy Carolinas or Progress Energy Florida, unless otherwise noted.

Basis of Presentation. These Unaudited Condensed Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles (GAAP) in the U.S. for interim financial information and with the instructions to Form 10-Q and Regulation S-X. Accordingly, these Unaudited Condensed Consolidated Financial Statements do not include all of the information and notes required by GAAP in the U.S. for annual financial statements. Because the interim Unaudited Condensed Consolidated Financial Statements and Notes do not include all of the

PART I

DUKE ENERGY CORPORATION - DUKE ENERGY CAROLINAS, LLC - DUKE ENERGY OHIO, INC. -

DUKE ENERGY INDIANA, INC.

Combined Notes To Unaudited Condensed Consolidated Financial Statements

information and notes required by GAAP in the U.S. for annual financial statements, the Unaudited Condensed Consolidated Financial Statements and other information included in this quarterly report should be read in conjunction with the respective Consolidated Financial Statements and Notes in the Duke Energy Registrants combined Form 10-K for the year ended December 31, 2011.

These Unaudited Condensed Consolidated Financial Statements reflect all normal recurring adjustments that are, in the opinion of the respective companies' management, necessary to fairly present the financial position and results of operations of each Duke Energy Registrant. Amounts reported in Duke Energy's interim Unaudited Condensed Consolidated Statements of Operations and each of the Subsidiary Registrants' interim Unaudited Condensed Consolidated Statements of Income and Comprehensive Income are not necessarily indicative of amounts expected for the respective annual periods due to the effects of seasonal temperature variations on energy consumption, regulatory rulings, the timing of maintenance on electric generating units, changes in mark-to-market valuations, changing commodity prices and other factors.

Duke Energy Ohio and Duke Energy Indiana sell power to and purchase power from PJM Interconnection, LLC (PJM) and Midwest Independent Transmission System Operator, Inc. (MISO), respectively. Duke Energy Ohio and Duke Energy Indiana account for these transactions on a net hourly basis as the transactions are settled on a net hourly basis.

Use of Estimates. To conform to GAAP in the U.S., management makes estimates and assumptions that affect the amounts reported in the Unaudited Condensed Consolidated Financial Statements and Notes. Although these estimates are based on management's best available information at the time, actual results could differ.

Unbilled Revenue. Revenues on sales of electricity and gas are recognized when either the service is provided or the product is delivered. Unbilled retail revenues are estimated by applying average revenue per kilowatt-hour or per thousand cubic feet (Mcf) for all customer classes to the number of estimated kilowatt-hours or Mcfs delivered but not billed. Unbilled wholesale energy revenues are calculated by applying the contractual rate per megawatt-hour (MWh) to the number of estimated MWh delivered but not yet billed. Unbilled wholesale demand revenues are calculated by applying the contractual rate per megawatt (MW) to the MW volume delivered but not yet billed. The amount of unbilled revenues can vary significantly from period to period as a result of numerous factors, including seasonality, weather, customer usage patterns and customer mix.

Duke Energy, Duke Energy Carolinas and Duke Energy Ohio had unbilled revenues within Restricted Receivables of Variable Interest Entities and Receivables on their respective Condensed Consolidated Balance Sheets as follows:

(in millions)	**June 30, 2012**	**December 31, 2011**

Duke Energy	**$ 769**	$ 674
Duke Energy Carolinas	**$ 335**	$ 293
Duke Energy Ohio	**$ 51**	$ 50
Duke Energy Indiana	**$ 8**	$ 2

Additionally, Duke Energy Ohio and Duke Energy Indiana sell, on a revolving basis, nearly all of their retail and wholesale accounts receivable to Cinergy Receivables Company, LLC (CRC). These transfers meet sales/derecognition criteria and therefore, Duke Energy Ohio and Duke Energy Indiana, account for the transfers of receivables to Cinergy Receivables as sales, and accordingly the receivables sold are not reflected on the Condensed Consolidated Balance Sheets of Duke Energy Ohio and Duke Energy Indiana. Receivables for unbilled revenues related to retail and wholesale accounts receivable at Duke Energy Ohio and Duke Energy Indiana included in the sales of accounts receivable to CRC were as follows:

(in millions)	**June 30, 2012**	**December 31, 2011**
Duke Energy Ohio	**$ 80**	$ 89
Duke Energy Indiana	**$ 140**	$ 115

See Note 11 for additional information.

2. Acquisitions and Sales of Other Assets

Acquisitions.

The Duke Energy Registrants consolidate assets and liabilities from acquisitions as of the purchase date, and include earnings from acquisitions in consolidated earnings after the purchase date.

Merger with Progress Energy

Description of Transaction

On July 2, 2012, Duke Energy completed the merger contemplated by the Agreement and Plan of Merger (Merger Agreement), among Diamond Acquisition Corporation, a North Carolina corporation and Duke Energy's wholly owned subsidiary (Merger Sub) and Progress Energy, a North Carolina corporation engaged in the regulated utility business of generation, transmission and distribution and sale of electricity in portions of North Carolina, South Carolina and Florida. As a result of the merger, Merger Sub was merged into Progress Energy and Progress Energy became a wholly owned subsidiary of Duke Energy.

The merger between Duke Energy and Progress Energy provides increased scale and diversity with potentially enhanced access to capital over the long-term and a greater ability to undertake the significant construction programs necessary to respond to increasing environmental regulation, plant retirements and customer demand growth. Duke Energy's business risk profile is expected to improve over-time due to the increased proportion of the business that is regulated. Additionally, cost savings, efficiencies and other benefits are expected from the combined operations.

Immediately preceding the merger, Duke Energy completed a one-for-three reverse stock split with respect to the issued and outstanding shares of Duke Energy common stock. The shareholders of Duke Energy approved the reverse stock split at Duke Energy's special meeting of shareholders

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held on August 23, 2011. All share and per share amounts presented throughout these financial statements reflect the impact of the one-for-three reverse stock split.

Progress Energy's shareholders received 0.87083 shares of Duke Energy common stock in exchange for each share of Progress Energy common stock outstanding as of July 2, 2012. Generally, all outstanding Progress Energy equity-based compensation awards were converted into Duke Energy equity-based compensation awards using the same ratio. The merger was structured as a tax-free exchange of shares.

Merger Related Regulatory Matters

Federal Energy Regulatory Commission. On June 8, 2012, the FERC conditionally approved the merger including Duke Energy and Progress Energy's revised market power mitigation plan, the Joint Dispatch Agreement (JDA) and the joint Open Access Transmission Tariff (OATT). The revised market power mitigation plan provides for the construction of seven transmission projects (Long-term FERC Mitigation) and interim firm power sale agreements during the construction of the transmission projects (Interim FERC Mitigation). The Long-term FERC Mitigation is estimated to cost approximately $110 million. The Long-term FERC Mitigation plan will increase power imported into the Duke Energy Carolinas and Progress Energy Carolinas service areas and enhance competitive power supply options in the service areas. The construction of these projects will occur over the next two to three years. In conjunction with the Interim FERC Mitigation plan, Duke Energy Carolinas and Progress Energy Carolinas entered into power sale agreements that were effective with the consummation of the merger. These agreements, or similar power sale agreements, will be in place until the Long-term FERC Mitigation is operational. The agreements are for around-the-clock delivery of power during the winter and summer in quantities that vary by season and by peak period. The following table summarizes the amount of megawatts per hour contracted to be sold under the Interim FERC Mitigation agreements.

Megawatts per hour	Duke Energy Carolinas	Progress Energy Carolinas	Duke Energy
Summer off-peak	300	500	800
Summer on-peak	150	325	475
Winter off-peak	225		225
Winter on-peak	25		25

The FERC order requires an independent party to monitor whether the power sale agreements remain in effect during construction of the transmission projects and provide quarterly reports to the FERC regarding the status of construction of the transmission projects.

- On June 25, 2012, Duke Energy and Progress Energy accepted the conditions imposed by the FERC.

- On July 10, 2012, certain intervenors requested a rehearing seeking to overturn the June 8, 2012 order by the FERC.

North Carolina Utilities Commission and Public Service Commission of South Carolina. In September 2011, Duke Energy and Progress Energy reached settlements with the Public Staff of the North Carolina Utilities Commission (NC Public Staff) and the South Carolina Office of Regulatory Staff (ORS) and certain other interested parties in connection with the regulatory proceedings related to the merger, the JDA and the OATT that were pending before the NCUC and PSCSC. These settlements were updated in May 2012 to reflect the results of ongoing merger related applications pending before the FERC. As part of these settlements and the application for approval of the merger by the NCUC and PSCSC, Duke Energy Carolinas and Progress Energy Carolinas agreed to the conditions and obligations listed below.

- Guarantee of $650 million in system fuel and fuel-related savings over 60 to 78 months for North Carolina and South Carolina retail customers. The savings are expected to be achieved through coal blending, coal commodity and transportation savings, gas transportation savings, and the joint dispatch of Duke Energy Carolinas and Progress Energy Carolinas generation fleets.

- Duke Energy Carolinas and Progress Energy Carolinas will not seek recovery from retail customers for the cost of the Long-term FERC Mitigation for five years following merger consummation. After five years, Duke Energy Carolinas and Progress Energy Carolinas may seek to recover the costs of the Long-term FERC Mitigation, but must show that the projects are needed to provide adequate and reliable retail service regardless of the merger.

- A $65 million rate reduction over the term of the Interim FERC Mitigation to reflect the cost of capacity not available to Duke Energy Carolinas and Progress Energy Carolinas retail customers during the Interim FERC Mitigation. The rate reduction will be achieved through a rider and will be apportioned between Duke Energy Carolinas and Progress Energy Carolinas retail customers.

- Duke Energy Carolinas and Progress Energy Carolinas will not seek recovery from retail customers for any revenue shortfalls or fuel-related costs associated with the Interim FERC Mitigation. The Interim FERC Mitigation agreements were in a loss position for Duke Energy as of the date of the merger consummation.

- Duke Energy Carolinas and Progress Energy Carolinas will not seek recovery from retail customers for any of their allocable share of merger related severance costs.

- Duke Energy Carolinas and Progress Energy Carolinas will provide community support through charitable contributions for four years, workforce development, low income energy assistance, and green energy assistance at a total cost of approximately $100 million, which cannot be recovered from retail customers.

- Duke Energy Carolinas and Progress Energy Carolinas will abide by revised North Carolina Regulatory Conditions and Code of Conduct governing their operations.

On June 29, 2012, the NCUC approved the merger application and the JDA application with conditions that were reflective of the settlement agreements described above. On July 2, 2012, the PSCSC approved the JDA application subject to Duke Energy Carolinas and Progress Energy Carolinas providing their South Carolina retail customers pro rata benefits equivalent to those approved by the NCUC in its merger approval order.

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On July 6, 2012, the NCUC issued an order initiating investigation and scheduling hearings on the Duke Energy board of directors' decision on July 2, 2012, to replace William D. Johnson with James E. Rogers as President and CEO of Duke Energy subsequent to the merger close, as well as other related matters. See Note 4 for further information.

Kentucky Public Service Commission. On June 24, 2011, Duke Energy and Progress Energy filed a settlement agreement with the Kentucky Attorney General. On August 2, 2011, the KPSC issued an order conditionally approving the merger and required Duke Energy and Progress Energy to accept all conditions contained in the order. Duke Energy and Progress Energy requested and were granted rehearing on the limited issue of the wording of one condition relating to the composition of Duke Energy's post-merger board of directors. On October 28, 2011, the KPSC issued its order approving a settlement with the Kentucky Attorney General on the revised condition relating to the composition of the post-merger Duke Energy board. Duke Energy and Progress Energy filed their acceptance of the condition on November 2, 2011. Duke Energy Kentucky agreed to (i) not file new gas or electric base rate applications for two years from the date of the KPSC's final order in the merger proceedings, (ii) make five annual shareholder contributions of $165,000 each to support low-income weatherization efforts and economic development within Duke Energy Kentucky's service territory and (iii) not seek recovery from retail customers for any of their allocable share of merger related costs.

Accounting Charges to be Recognized Related to the Merger Consummation

Duke Energy anticipates recording charges of approximately $450 million to $550 million in the second half of 2012 associated with the merger. This estimate includes the costs of Long-term FERC Mitigation, Interim FERC Mitigation, the retail rate reduction associated with Interim FERC Mitigation, employee severance, obligations to provide community support and merger transaction expenses. The allocation of these charges to individual subsidiaries will be determined in the third quarter. The majority of these charges will be recognized by Duke Energy Carolinas and Progress Energy Carolinas. See Note 15 for further information related to employee severance expenses.

Duke Energy also expects to incur significant system integration and other merger-related transition costs primarily through 2014 that are necessary in order to achieve certain cost savings, efficiencies and other benefits anticipated to result from the merger with Progress Energy.

Purchase Price

Pursuant to the merger, all Progress Energy common shares were exchanged at the fixed exchange ratio of 0.87083 common shares of Duke Energy for each Progress Energy common share. The total consideration transferred in the merger was based on the closing price of Duke Energy common shares on July 2, 2012, and was calculated as follows:

(dollars in millions, except per share amounts; shares in thousands)		
Progress Energy common shares outstanding at July 2, 2012		296,116
Exchange ratio		0.87083
Duke Energy common shares issued for Progress Energy common shares outstanding		257,867
Closing price of Duke Energy common shares on July 2, 2012	$	69.84
Purchase price for common stock	$	18,009
Fair value of outstanding earned stock compensation awards		62
Total estimated purchase price	**$**	**18,071**

Progress Energy's stock-based compensation awards, including performance shares and restricted stock, were replaced with Duke Energy awards upon consummation of the merger. In accordance with accounting guidance for business combinations, a portion of the fair value of these awards is included in the purchase price as it represents consideration transferred in the merger.

Purchase Price Allocation

The fair value of Progress Energy's assets acquired and liabilities assumed was determined based on significant estimates and assumptions that are judgmental in nature, including projected future cash flows (including timing); discount rates reflecting risk inherent in the future cash flows and market prices of long-term debt. The fair value of Progress Energy's asset acquired and liabilities assumed utilized for purchase price allocation are considered preliminary as a result of the short time period between the consummation of the merger and the filing of this Form 10-Q.

The majority of Progress Energy's operations are subject to the rate-setting authority of the FERC, the NCUC, the PSCSC, and the Florida Public Service Commission (FPSC) and are accounted for pursuant to U.S. generally accepted accounting principles, including the accounting guidance for regulated operations. The rate-setting and cost recovery provisions currently in place for Progress Energy's regulated operations provide revenues derived from costs, including a return on investment of assets and liabilities included in rate base. Thus, the fair values of Progress Energy's tangible and intangible assets and liabilities subject to these rate-setting provisions approximate their carrying values, and the assets and liabilities acquired and pro forma financial information do not reflect any net adjustments related to these amounts.

The significant assets and liabilities for which preliminary valuation amounts are reflected as of the filing of this Form 10-Q include the fair value of the acquired pension and other post-retirement benefit (OPEB) plans, asset retirement obligations and long-term debt. The preliminary fair value of the outstanding stock compensation awards is included in the purchase price as consideration transferred. The preliminary amounts recognized are subject to revision until the valuations are completed and to the extent that additional information is obtained about the facts and circumstances that existed as of the acquisition date.

The excess of the purchase price over the estimated fair values of the assets acquired and liabilities assumed will be recognized as goodwill in the third quarter of 2012. The goodwill reflects the value paid primarily for the long-term potential for enhanced access to capital as a result of the company's increased scale and diversity, opportunities for synergies, and an improved risk profile. The allocation of goodwill to Duke Energy's reporting units has not yet been completed as a result of the short time period between the closing of the merger and the filing of this Form 10-Q. None of the goodwill recognized is deductible for income tax purposes, and as such, no deferred taxes will be recorded related to goodwill.

The preliminary purchase price allocation of the merger was as follows:

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(in millions)		
Current assets	$	3,266
Property, plant and equipment		23,808
Goodwill		12,287
Other long-term assets, excluding goodwill		8,138
Total assets		**47,499**
Current liabilities, including current maturities of long-term debt		3,536
Long-term liabilities, preferred stock and noncontrolling interests		10,211
Long-term debt		15,681
Total liabilities and preferred stock		**29,428**
Total estimated purchase price	**$**	**18,071**

Current Quarter Impact of Merger

Duke Energy incurred pre-tax transaction and integration related costs of $7 million and $15 million, for the three and six months ended June 30, 2012, respectively, and $5 million and $16 million, for the three and six months ended June 30, 2011, respectively, substantially all of which were recorded within Operation, maintenance and other in Duke Energy's Condensed Consolidated Statements of Operations.

Pro Forma Financial Information

The following unaudited pro forma financial information reflects the consolidated results of operations of Duke Energy and reflects the amortization of purchase price adjustments assuming the merger had taken place on January 1, 2011. The unaudited pro forma financial information has been presented for illustrative purposes only and is not necessarily indicative of the consolidated results of operations that would have been achieved or the future consolidated results of operations of Duke Energy. This information is preliminary in nature and subject to change based on final purchase price adjustments.

The pro forma financial information does not include potential cost savings or non-recurring adjustments that will be recorded in the third quarter in connection with the merger or non-recurring costs directly related to the merger. Non-recurring transaction and integration costs incurred by both Duke Energy and Progress Energy have also been excluded from the pro forma earnings presented below. After-tax non-recurring transaction and integration costs incurred were $12 million and $18 million, respectively, for the three and six months ended June 30, 2012, and $4 million and $20 million, respectively, for the three and six months ended June 30, 2011.

	Three Months Ended June 30,	**Six Months Ended June 30,**

(in millions, except per share amounts)	2012	2011	2012	2011
Revenues	$ 5,843	$ 5,789	$ 11,557	$ 11,613
Net Income Attributable to Duke Energy Corporation	527	621	984	1,338
Basic and Diluted Earnings Per Share	$ 0.75	$ 0.89	$ 1.40	$ 1.91

Refer to Note 5 for information regarding Progress Energy merger shareholder litigation.

Vermillion Generating Station.

On January 12, 2012, after receiving approvals from the FERC and the IURC on August 12, 2011 and December 28, 2011, respectively, Duke Energy Vermillion II, LLC (Duke Energy Vermillion), an indirect wholly owned subsidiary of Duke Energy Ohio, completed the sale of its 75% undivided ownership interest in the Vermillion Generating Station (Vermillion) to Duke Energy Indiana and Wabash Valley Power Association (WVPA). Upon the closing of the sale, Duke Energy Indiana and WVPA held 62.5% and 37.5% interests in Vermillion, respectively. Duke Energy Ohio received net proceeds of $82 million, consisting of $68 million and $14 million from Duke Energy Indiana and WVPA, respectively. Following the transaction, Duke Energy Indiana retired Gallagher Units 1 and 3 effective February 1, 2012.

As Duke Energy Indiana is an affiliate of Duke Energy Vermillion the transaction has been accounted for as a transfer between entities under common control with no gain or loss recorded and did not have a significant impact to Duke Energy Ohio or Duke Energy Indiana’s results of operations. The proceeds received from Duke Energy Indiana are included in Net proceeds from the sales of other assets on Duke Energy Ohio’s Condensed Consolidated Statements of Cash Flows. The cash paid to Duke Energy Ohio is included in Capital expenditures on Duke Energy Indiana’s Condensed Consolidated Statements of Cash Flows. Duke Energy Ohio and Duke Energy Indiana recognized non-cash equity transfers of $28 million and $26 million, respectively, in their Condensed Consolidated Statements of Common Stockholder’s Equity on the transaction representing the difference between cash exchanged and the net book value of Vermillion. These amounts are not reflected in Duke Energy’s Condensed Consolidated Statements of Cash Flows or Condensed Consolidated Statements of Equity as the transaction is eliminated in consolidation.

The proceeds from WVPA are included in Net proceeds from the sales of other assets, and sale of and collections on notes receivable on Duke Energy and Duke Energy Ohio’s Condensed Consolidated Statements of Cash Flows. In the second quarter of 2011, Duke Energy Ohio recorded a pre-tax impairment charge of $9 million to adjust the carrying value of the proportionate share of Vermillion to be sold to WVPA to the proceeds to be received from WVPA less costs to sell. The sale of the proportionate share of Vermillion to WVPA did not result in a significant additional gain or loss upon close of the transaction.

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Wind Projects Joint Venture.

In April 2012, Duke Energy executed a joint venture agreement with Sumitomo Corporation of America (SCOA). Under the terms of the agreement, Duke Energy and SCOA will each own a 50% interest in the joint venture (DS Cornerstone, LLC), which owns two wind generation projects. One of the facilities began commercial operations in June 2012 and the other facility is under construction. Duke Energy and SCOA also negotiated a $330 million, Construction and 12-year amortizing Term Loan Facility, on behalf of the borrower, a wholly owned subsidiary of the joint venture. The loan agreement is non-recourse to Duke Energy. Duke Energy received proceeds of $319 million upon execution of the loan agreement. This amount represents reimbursement of a significant portion of Duke Energy's construction costs incurred as of the date of the agreement. Beginning in April 2012, and through completion of the projects, Duke Energy and SCOA will each fund 50% of the remaining construction cost of the projects through contributions to the joint venture. Duke Energy will consolidate the joint venture until the project under construction reaches commercial operations later in 2012. This transaction is expected to result in an insignificant gain to Duke Energy at the time construction is complete, where upon Duke Energy will no longer consolidate the joint venture. See Note 11 for further information.

3. Business Segments

Effective with the first quarter of 2012, management began evaluating segment performance based on Segment Income. Segment Income is defined as income from continuing operations net of income attributable to noncontrolling interests. Segment Income, as discussed below, includes intercompany revenues and expenses that are eliminated in the Condensed Consolidated Financial Statements. In conjunction with management's use of the new reporting measure, certain governance costs that were previously unallocated have now been allocated to each of the segments. In addition, direct interest expense and income taxes are included in segment income. Prior year segment profitability information has been recast to conform to the current year presentation. None of these changes impacts the reportable operating segments or the Duke Energy Registrants' previously reported consolidated revenues, net income or earnings-per-share.

Duke Energy

Duke Energy has the following reportable operating segments: U.S. Franchised Electric and Gas (USFE&G), Commercial Power and International Energy.

USFE&G generates, transmits, distributes and sells electricity in central and western North Carolina, western South Carolina, central, north central and southern Indiana, and northern Kentucky. USFE&G also transmits and distributes electricity in southwestern Ohio. Additionally, USFE&G transports and sells natural gas in southwestern Ohio and northern Kentucky. It conducts operations primarily through Duke Energy Carolinas, regulated portions of Duke Energy Ohio including Duke Energy Kentucky, and Duke

Energy Indiana.

Commercial Power owns, operates and manages power plants and engages in the wholesale marketing and procurement of electric power, fuel and emission allowances related to these plants, as well as other contractual positions. Commercial Power also has a retail sales subsidiary, Duke Energy Retail Sales, LLC (Duke Energy Retail), which is certified by the PUCO as a Competitive Retail Electric Service provider in Ohio. Through Duke Energy Generation Services, Inc. and its affiliates (DEGS), Commercial Power engages in the development, construction and operation of renewable energy projects. In addition, DEGS develops commercial transmission projects. DEGS also owns and operates electric generation for large energy consumers, municipalities, utilities and industrial facilities.

International Energy principally operates and manages power generation facilities and engages in sales and marketing of electric power and natural gas outside the U.S. It conducts operations primarily through Duke Energy International, LLC and its affiliates and its activities principally target power generation in Latin America. Additionally, International Energy owns a 25% interest in National Methanol Company, located in Saudi Arabia, which is a large regional producer of methanol and methyl tertiary butyl ether.

The remainder of Duke Energy's operations is presented as Other. While it is not considered an operating segment, Other primarily includes unallocated corporate costs, which include costs not allocable to Duke Energy's reportable business segments, primarily governance, costs to achieve mergers and divestitures, and costs associated with certain corporate severance programs. It also includes, Bison Insurance Company Limited (Bison), Duke Energy's wholly owned, captive insurance subsidiary, Duke Energy's 50% interest in DukeNet Communications, LLC (DukeNet) and related telecommunications businesses, and Duke Energy Trading and Marketing, LLC, which is 40% owned by Exxon Mobil Corporation and 60% owned by Duke Energy.

Business Segment Data

(in millions)	Unaffiliated Revenues	Intersegment Revenues	Total Revenues	Segment Income/ Consolidated Net Income[a]
Three Months Ended June 30, 2012				
USFE&G	**$ 2,688**	**$ 9**	**$ 2,697**	**$ 337**
Commercial Power	**488**	**14**	**502**	**28**
International Energy	**397**		**397**	**105**
Total reportable segments	**3,573**	**23**	**3,596**	**470**
Other	**4**	**12**	**16**	**(25)**
Eliminations		**(35)**	**(35)**	
Add back of noncontrolling interest component				**4**
Income from Discontinued Operations, net of tax				**(1)**
Total consolidated	**$ 3,577**	**$**	**$ 3,577**	**$ 448**
Three Months Ended June 30, 2011				
USFE&G	$ 2,540	$ 9	$ 2,549	$ 297
Commercial Power	592	3	595	30
International Energy	406		406	127
Total reportable segments	3,538	12	3,550	454
Other	(4)	13	9	(19)

Eliminations		(25)	(25)	
Add back of noncontrolling interest component				6
Total consolidated	$ 3,534	$	$ 3,534	$ 441

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(in millions)	Unaffiliated Revenues	Intersegment Revenues	Total Revenues	Segment Income/ Consolidated Net Income[a]
Six Months Ended June 30, 2012				
USFE&G[b]	**$ 5,348**	**$ 17**	**$ 5,365**	**$ 473**
Commercial Power	**1,052**	**30**	**1,082**	**59**
International Energy	**799**		**799**	**247**
Total reportable segments	**7,199**	**47**	**7,246**	**779**
Other	**8**	**23**	**31**	**(41)**
Eliminations		**(70)**	**(70)**	
Add back of noncontrolling interest component				**8**
Income from Discontinued Operations, net of tax				**1**
Total consolidated	**$ 7,207**	**$**	**$ 7,207**	**$ 747**
Six Months Ended June 30, 2011				
USFE&G	$ 5,214	$ 18	$ 5,232	$ 638
Commercial Power	1,234	5	1,239	79
International Energy	754		754	255
Total reportable segments	7,202	23	7,225	972
Other	(5)	25	20	(26)
Eliminations		(48)	(48)	
Add back of noncontrolling interest component				8
Total consolidated	$ 7,197	$	$ 7,197	$ 954

(a) Segment results exclude noncontrolling interests and results of entities classified as discontinued operations.

(b) As discussed further in Note 4, Duke Energy recorded pre-tax impairment and other charges of $420 million in the first quarter of 2012 related to the Edwardsport IGCC project.

Segment Assets

Segment assets in the following table exclude all intercompany assets.

(in millions)	June 30, 2012	December 31, 2011

USFE&G	**$**	**48,451**	$	47,977
Commercial Power		**7,268**		6,939
International Energy		**4,678**		4,539
Total reportable segments		**60,397**		59,455
Other		**2,593**		2,961
Reclassifications[(a)]		**41**		110
Total consolidated assets	**$**	**63,031**	$	62,526

(a) Primarily represents reclassification of federal tax balances in consolidation.

Duke Energy Ohio

Duke Energy Ohio has two reportable operating segments, Franchised Electric and Gas and Commercial Power.

Franchised Electric and Gas transmits and distributes electricity in southwestern Ohio and generates, transmits, distributes and sells electricity in northern Kentucky. Franchised Electric and Gas also transports and sells natural gas in southwestern Ohio and northern Kentucky. It conducts operations primarily through Duke Energy Ohio and its wholly owned subsidiary Duke Energy Kentucky.

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Commercial Power owns, operates and manages power plants and engages in the wholesale marketing and procurement of electric power, fuel and emission allowances related to these plants, as well as other contractual positions. Duke Energy Ohio's Commercial Power reportable operating segment does not include the operations of DEGS or Duke Energy Retail, which is included in the Commercial Power reportable operating segment at Duke Energy.

The remainder of Duke Energy Ohio's operations is presented as Other. While it is not considered an operating segment, Other primarily includes certain governance costs allocated by its parent, Duke Energy (see Note 17).

Business Segment Data

(in millions)	Unaffiliated Revenues[a]	Segment Income/ Consolidated Net Income
Three Months Ended June 30, 2012		
Franchised Electric and Gas	**$ 387**	**$ 30**
Commercial Power	**342**	**17**
Total reportable segments	**729**	**47**
Other		**(2)**
Eliminations	**(12)**	
Total consolidated	**$ 717**	**$ 45**
Three Months Ended June 30, 2011		
Franchised Electric and Gas	$ 315	$ 29
Commercial Power	379	6
Total reportable segments	694	35
Other		(2)
Total consolidated	$ 694	$ 33

(in millions)	Unaffiliated Revenues[a]	Segment Income/ Consolidated Net Income
Six Months Ended June 30, 2012		
Franchised Electric and Gas	**$ 860**	**$ 64**
Commercial Power	**796**	**61**
Total reportable segments	**1,656**	**125**
Other		**(6)**
Eliminations	**(27)**	
Total consolidated	**$ 1,629**	**$ 119**

Six Months Ended June 30, 2011				
Franchised Electric and Gas		$	779	$ 77
Commercial Power			794	34
	Total reportable segments		1,573	111
Other				(5)
	Total consolidated	$	1,573	$ 106

(a) There was an insignificant amount of intersegment revenues for the three and six months ended June 30, 2011.

Segment Assets

Segment assets in the following table exclude all intercompany assets.

(in millions)		**June 30, 2012**		**December 31, 2011**
Franchised Electric and Gas	**$**	**6,559**	$	6,293
Commercial Power		**4,742**		4,740
Total reportable segments		**11,301**		11,033
Other		**142**		259
Reclassifications[(a)]		**(465)**		(353)
Total consolidated assets	**$**	**10,978**	$	10,939

(a) Primarily represents reclassification of federal tax balances in consolidation.

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Duke Energy Carolinas and Duke Energy Indiana

Duke Energy Carolinas and Duke Energy Indiana each have one reportable operating segment, Franchised Electric, which generates, transmits, distributes and sells electricity in central and western North Carolina and western South Carolina, and north central, central and southern Indiana, respectively.

The remainder of Duke Energy Carolinas' and Duke Energy Indiana's operations are presented as Other. While it is not considered an operating segment, Other primarily includes costs to achieve certain mergers and divestitures, certain corporate severance programs, and certain costs for use of corporate assets as allocated to Duke Energy Carolinas or Duke Energy Indiana.

At June 30, 2012 and December 31, 2011 all of Duke Energy Carolinas' and Duke Energy Indiana's assets are each owned by the Franchised Electric operating segment. For the three and six months ended June 30, 2012 and 2011, substantially all revenues and expenses are from the Franchised Electric operating segment of each registrant.

4. Regulatory Matters

Rate Related Information.

The NCUC, PSCSC, IURC, PUCO and KPSC approve rates for retail electric and gas services within their states. Non-regulated sellers of gas and electric generation are also allowed to operate in Ohio once certified by the PUCO. The FERC approves rates for electric sales to wholesale customers served under cost-based rates, as well as sales of transmission service.

Duke Energy Ohio Standard Service Offer (SSO). The PUCO approved Duke Energy Ohio's current ESP on November 22, 2011. The ESP effectively separates the generation of electricity from Duke Energy Ohio's retail load obligation and requires Duke Energy Ohio to transfer its generation assets to a non-regulated affiliate on or before December 31, 2014. The ESP includes competitive auctions for electricity supply whereby the energy price is recovered from retail customers. As a result, Duke Energy Ohio now earns retail margin on the transmission and distribution of electricity only and not on the cost of the underlying energy. New rates for Duke Energy Ohio went into effect for SSO customers on January 1, 2012. The ESP also includes a provision for a non-bypassable stability charge of $110 million per year to be collected from January 1, 2012 through December 31, 2014.

On January 18, 2012, the PUCO denied a request for rehearing of its decision on Duke Energy Ohio's ESP filed by Columbus Southern Power and Ohio Power Company.

Duke Energy Ohio Generation Asset Transfer. On April 2, 2012, Duke Energy Ohio and various affiliated entities filed an Application for Authorization for Disposition of Jurisdictional Facilities with FERC. The application seeks to transfer, from Duke Energy Ohio's rate-regulated Ohio utility company, the legacy coal-fired and combustion gas turbine assets to a non-regulated affiliate, consistent with ESP stipulation approved on November 22, 2011. The application outlines a potential additional step in the reorganization that would result in a transfer of all of Duke Energy Ohio's Commercial Power business to an indirect wholly owned subsidiary of Duke Energy as early as October 2012. The process of determining the optimal corporate structure is an ongoing evaluation of factors, such as tax considerations, that may change between now and the transfer date. In conjunction with the transfer, Duke Energy Ohio's capital structure will be restructured to reflect appropriate debt and equity ratios for its regulated Franchised Electric and Gas operations. The transfer could instead be accomplished within a wholly owned non-regulated subsidiary of Duke Energy Ohio depending on final tax structuring analysis. Duke Energy Ohio requested the FERC to rule on the application within 90 days. On June 22, 2012, Duke Energy Ohio amended its Application to include several small additional generation units to be transferred. Duke Energy Ohio requested FERC to rule on its amended Application by August 1, 2012.

Duke Energy Ohio Electric Rate Case. On July 9, 2012, Duke Energy Ohio filed an application with the PUCO for an increase in electric distribution rates of approximately $87 million. On average, total electric rates would increase approximately 5.1% under the filing. The rate increase is designed to recover the cost of investments in projects to improve reliability for customers and upgrades to the distribution system. Pursuant to a stipulation in another case, Duke Energy Ohio will continue recovering its costs associated with grid modernization in a separate rider.

Duke Energy Ohio expects revised rates would likely go into effect in early 2013.

Duke Energy Ohio Natural Gas Rate Case. On July 9, 2012, Duke Energy Ohio filed an application with the PUCO for an increase in natural gas distribution rates of approximately $45 million. On average, total natural gas rates would increase approximately 6.6% under the filing. The rate increase is designed to recover the cost of upgrades to the distribution system, as well as environmental cleanup of manufactured gas plant sites. In addition to the recovery of costs associated with the manufactured gas plants, the rate request includes a proposal for an accelerated service line replacement program that would allow smaller annual increases to reflect increased investment in the distribution system. The filing also requests that the PUCO renew the rider recovery of Duke Energy Ohio's accelerated main replacement program and grid modernization program.

Duke Energy Ohio expects revised rates would likely go into effect in early 2013.

Duke Energy Carolinas North Carolina Rate Case. On January 27, 2012, the NCUC approved a settlement agreement between Duke Energy Carolinas and the North Carolina Utilities Public Staff (Public Staff). The terms of the agreement include an average 7.2% increase in retail revenues, or approximately $309 million annually beginning in February 2012. The agreement includes a 10.5% return on equity and a capital structure of 53% equity and 47% long-term debt. In order to mitigate the impact of the increase on customers, the agreement provides for (i) Duke Energy to waive its right to increase the amount of construction work in progress in rate base for any expenditures associated with Cliffside Unit 6 above the North Carolina retail portion included in the 2009 North Carolina Rate Case, (ii) the accelerated return of certain regulatory liabilities, related to accumulated EPA sulfur dioxide auction proceeds, to customers, which lowered the total impact to customer bills to an increase of approximately 7.2% in the near-term; and (iii) an $11 million shareholder contribution to agencies that provide energy assistance to low income customers. In exchange for waiving the right to increase the amount of construction work in process for

Cliffside Unit 6, Duke Energy will continue to capitalize AFUDC on all expenditures associated with Cliffside Unit 6 not included in rate base as a result of the 2009 North Carolina Rate Case.

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On March 28, 2012, the North Carolina Attorney General filed a notice of appeal with the NCUC challenging the rate of return approved in the agreement. On April 17, 2012, the NCUC denied Duke Energy Carolinas' request to dismiss the notice of appeal.The North Carolina Supreme Court, which is hearing the appeal, recently docketed the appeal with briefs due August 22, 2012. Reply briefs are due 30 days later. The court is expected to set a hearing date in late fall.

Duke Energy Carolinas South Carolina Rate Case. On January 25, 2012, the PSCSC approved a settlement agreement between Duke Energy Carolinas and the Office of Regulatory Staff (ORS), Wal-Mart Stores East, LP (Wal-Mart), and Sam's East, Inc (Sam's). The Commission of Public Works for the city of Spartanburg, South Carolina and the Spartanburg Sanitary Sewer District were not parties to the agreement; however, they did not object to the agreement. The terms of the agreement include an average 5.98% increase in retail and commercial revenues, or approximately $93 million annually beginning February 6, 2012. The agreement includes a 10.5% return on equity, a capital structure of 53% equity and 47% long-term debt, and a contribution of $4 million to AdvanceSC.

Capital Expansion Projects.

Duke Energy Carolinas Cliffside Unit 6. On March 21, 2007, the NCUC issued an order allowing Duke Energy Carolinas to build an 800 MW coal-fired unit. Following final equipment selection and the completion of detailed engineering, Cliffside Unit 6 is expected to have a net output of 825 MW. On January 31, 2008, Duke Energy Carolinas filed its updated cost estimate of $1.8 billion (excluding AFUDC of $600 million) for Cliffside Unit 6. In March 2010, Duke Energy Carolinas filed an update to the cost estimate of $1.8 billion (excluding AFUDC) with the NCUC where it reduced the estimated AFUDC financing costs to $400 million as a result of the December 2009 rate case settlement with the NCUC that allowed the inclusion of construction work in progress in rate base prospectively. Duke Energy Carolinas believes that the overall cost of Cliffside Unit 6 will be reduced by $125 million in federal advanced clean coal tax credits, as discussed in Note 5. Cliffside Unit 6 is expected to begin commercial operation in the fall of 2012.

Duke Energy Carolinas Dan River Combined Cycle Facility. In June 2008, the NCUC issued its order approving the Certificate of Public Convenience and Necessity (CPCN) applications to construct a 620 MW combined cycle natural gas fired generating facility at Duke Energy Carolinas' existing Dan River Steam Station. The Division of Air Quality (DAQ) issued a final air permit authorizing construction of the Dan River combined cycle natural gas-fired generating unit in August 2009.

The Dan River project is expected to begin operation by the end of 2012. Based on the most updated cost estimates, total costs (including AFUDC) for the Dan River project are $710 million.

Duke Energy Indiana Edwardsport IGCC Plant. On September 7, 2006, Duke Energy Indiana and Southern Indiana Gas and Electric Company d/b/a Vectren Energy Delivery of Indiana (Vectren) filed a joint petition with the IURC seeking a CPCN for the construction of a 618 MW IGCC power plant at Duke Energy Indiana's Edwardsport Generating Station in Knox County, Indiana. The facility was initially estimated to

cost approximately $1.985 billion (including $120 million of AFUDC). In August 2007, Vectren formally withdrew its participation in the IGCC plant and a hearing was conducted on the CPCN petition based on Duke Energy Indiana owning 100% of the project. On November 20, 2007, the IURC issued an order granting Duke Energy Indiana a CPCN for the proposed IGCC project, approved the cost estimate of $1.985 billion and approved the timely recovery of costs related to the project. On January 25, 2008, Duke Energy Indiana received the final air permit from the Indiana Department of Environmental Management. The Citizens Action Coalition of Indiana, Inc. (CAC), Sierra Club, Inc., Save the Valley, Inc., and Valley Watch, Inc., all intervenors in the CPCN proceeding, have appealed the air permit.

On May 1, 2008, Duke Energy Indiana filed its first semi-annual IGCC rider and ongoing review proceeding with the IURC as required under the CPCN order issued by the IURC. In its filing, Duke Energy Indiana requested approval of a new cost estimate for the IGCC project of $2.35 billion (including $125 million of AFUDC) and for approval of plans to study carbon capture as required by the IURC's CPCN order. On January 7, 2009, the IURC approved Duke Energy Indiana's request, including the new cost estimate of $2.35 billion, and cost recovery associated with a study on carbon capture. On November 3, 2008 and May 1, 2009, Duke Energy Indiana filed its second and third semi-annual IGCC riders, respectively, both of which were approved by the IURC in full.

On November 24, 2009, Duke Energy Indiana filed a petition for its fourth semi-annual IGCC rider and ongoing review proceeding with the IURC. As Duke Energy Indiana experienced design modifications, quantity increases and scope growth above what was anticipated from the preliminary engineering design, capital costs to the IGCC project were anticipated to increase. Duke Energy Indiana forecasted that the additional capital cost items would use the remaining contingency and escalation amounts in the current $2.35 billion cost estimate and add $150 million, excluding the impact associated with the need to add more contingency. Duke Energy Indiana did not request approval of an increased cost estimate in the fourth semi-annual update proceeding; rather, Duke Energy Indiana requested, and the IURC approved, a subdocket proceeding in which Duke Energy Indiana would present additional evidence regarding an updated estimated cost for the IGCC project and in which a more comprehensive review of the IGCC project could occur. The evidentiary hearing for the fourth semi-annual update proceeding was held April 6, 2010, and an interim order was received on July 28, 2010. The order approves the implementation of an updated IGCC rider to recover costs incurred through September 30, 2009, effective immediately. The approvals are on an interim basis pending the outcome of the sub-docket proceeding involving the revised cost estimate as discussed further below.

On April 16, 2010, Duke Energy Indiana filed a revised cost estimate for the IGCC project reflecting an estimated cost increase of $530 million. Duke Energy Indiana requested approval of the revised cost estimate of $2.88 billion (including $160 million of AFUDC), and for continuation of the existing cost recovery treatment. A major driver of the cost increase included quantity increases and design changes, which impacted the scope, productivity and schedule of the IGCC project. On September 17, 2010, an agreement was reached with the OUCC, Duke Energy Indiana Industrial Group and Nucor Steel — Indiana to increase the authorized cost estimate of $2.35 billion to $2.76 billion, and to cap the project's costs that could be passed on to customers at $2.975 billion. Any construction cost amounts above $2.76 billion would be subject to a prudence review similar to most other rate base investments in Duke Energy Indiana's next general rate increase request before the IURC. Duke Energy Indiana agreed to accept a 150 basis point reduction in the equity return for any project construction costs greater than $2.35 billion. Additionally, Duke Energy Indiana agreed not to file for a general rate case increase before March 2012. Duke Energy Indiana also agreed to reduce depreciation rates earlier than would otherwise be required and to forego a deferred tax incentive related to the IGCC project. As a result of the settlement, Duke Energy Indiana recorded a pre-tax charge to earnings of approximately $44 million in the third quarter of 2010 to reflect the impact of the reduction in the return on equity. Due to the IURC investigation discussed below, the IURC convened a technical conference on November 3, 2010, related to the continuing need for the Edwardsport

IGCC facility. On December 9, 2010, the parties to the settlement withdrew the settlement agreement to provide an opportunity to assess whether and to what extent the settlement agreement remained a reasonable allocation of risks and rewards and whether modifications to the settlement agreement

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were appropriate. Management determined that the approximate $44 million charge discussed above was not impacted by the withdrawal of the settlement agreement.

During 2010, Duke Energy Indiana filed petitions for its fifth and sixth semi-annual IGCC riders. Evidentiary hearings were held on April 24, 2012 and April 25, 2012.

The CAC, Sierra Club, Inc., Save the Valley, Inc., and Valley Watch, Inc. filed motions for two subdocket proceedings alleging improper communications, undue influence, fraud, concealment and gross mismanagement, and a request for field hearing in this proceeding. Duke Energy Indiana opposed the requests. On February 25, 2011, the IURC issued an order which denied the request for a subdocket to investigate the allegations of improper communications and undue influence at this time, finding there were other agencies better suited for such investigation. The IURC also found that allegations of fraud, concealment and gross mismanagement related to the IGCC project should be heard in a Phase II proceeding of the cost estimate subdocket and set evidentiary hearings on both Phase I (cost estimate increase) and Phase II beginning in August 2011. After procedural delays, hearings were held on Phase I on October 26, 2011 and on Phase II on November 21, 2011.

On March 10, 2011, Duke Energy Indiana filed testimony with the IURC proposing a framework designed to mitigate customer rate impacts associated with the Edwardsport IGCC project. Duke Energy Indiana’s filing proposed a cap on the project’s construction costs, (excluding financing costs), which can be recovered through rates at $2.72 billion. It also proposed rate-related adjustments that will lower the overall customer rate increase related to the project from an average of 19% to approximately 16%.

On June 27, 2011, Duke Energy Indiana filed testimony with the IURC in connection with its seventh semi-annual rider request which included an update on the current cost forecast of the Edwardsport IGCC project. The updated forecast excluding AFUDC increased from $2.72 billion to $2.82 billion, not including any contingency for unexpected start-up events. On June 30, 2011, the OUCC and intervenors filed testimony in Phase I recommending that Duke Energy Indiana be disallowed cost recovery of any of the additional cost estimate increase above the previously approved cost estimate of $2.35 billion. Duke Energy Indiana filed rebuttal testimony on August 3, 2011.

On November 30, 2011, Duke Energy Indiana filed a petition with the IURC in connection with its eighth semi-annual rider request for the Edwardsport IGCC project. Evidentiary hearings for the seventh and eighth semi-annual rider requests are scheduled for August 6, 2012 and August 7, 2012.

In the subdocket proceeding, on July 14, 2011, the OUCC and certain intervenors filed testimony in Phase II alleging that Duke Energy Indiana concealed information and grossly mismanaged the project, and therefore Duke Energy Indiana should only be permitted to recover from customers $1.985 billion, the original IGCC project cost estimate approved by the IURC. Other intervenors recommended that Duke Energy Indiana not be able to rely on any cost recovery granted under the CPCN or the first cost increase order. Duke Energy Indiana believes it has diligently and prudently managed the project. On September 9, 2011, Duke Energy defended against the allegations in its responsive testimony. The OUCC and

intervenors filed their final rebuttal testimony in Phase II on or before October 7, 2011, making similar claims of fraud, concealment and gross mismanagement and recommending the same outcome of limiting Duke Energy Indiana's recovery to the $1.985 billion initial cost estimate. Additionally, the CAC recommended that recovery be limited to the costs incurred on the IGCC project as of November 30, 2009 (Duke Energy Indiana estimates it had committed costs of $1.6 billion), with further IURC proceedings to be held to determine the financial consequences of this recommendation.

On October 19, 2011, Duke Energy Indiana revised its project cost estimate from approximately $2.82 billion, excluding financing costs, to approximately $2.98 billion, excluding financing costs. The revised estimate reflects additional cost pressures resulting from quantity increases and the resulting impact on the scope, productivity and schedule of the IGCC project. Duke Energy Indiana previously proposed to the IURC a cost cap of approximately $2.72 billion, plus the actual AFUDC that accrues on that amount. As a result, Duke Energy Indiana recorded a pre-tax impairment charge of approximately $222 million in the third quarter of 2011 related to costs expected to be incurred above the cost cap. This charge is in addition to a pre-tax impairment charge of approximately $44 million recorded in the third quarter of 2010 as discussed above. The cost cap, if approved by the IURC, limits the amount of project construction costs that may be incorporated into customer rates in Indiana. As a result of the proposed cost cap, recovery of these cost increases is not considered probable. Additional updates to the cost estimate could occur through the completion of the plant in 2012.

Phase I and Phase II hearings concluded on January 24, 2012. The CAC has filed repeated requests for the IURC to consider issues of ethics, undue influence, due process violations and appearance of impropriety. The IURC denied the most recent motion in March 2012. In April 2012, the CAC filed a motion requesting the IURC to certify questions of law for appeal regarding allegations of fraud on the commission and due process violations. This motion was denied.

On April 30, 2012, Duke Energy Indiana entered into a settlement agreement with the OUCC, the Duke Energy Indiana Industrial Group and Nucor Steel-Indiana on the cost increase for construction of the Edwardsport IGCC plant, including both Phase I and Phase II of the sub docket. Pursuant to the agreement, there would be a cap on costs to be reflected in customer rates of $2.595 billion, including estimated financing costs through June 30, 2012. Pursuant to the agreement, Duke Energy Indiana would be able to recover additional financing costs until customer rates are revised. Duke Energy Indiana also agrees not to request a retail electric base rate increase prior to March 2013, with rates in effect no earlier than April 1, 2014. The agreement is subject to approval by the IURC, and the settling parties have requested that schedule be set to hear evidence in support of the settlement agreement, which could allow for an IURC order as early as the summer of 2012. As a result of the agreement, Duke Energy Indiana recorded pre-tax impairment and other charges of approximately $420 million in the first quarter of 2012. Approximately $400 million is recorded in Impairment charges and the remaining approximately $20 million is recorded in Operation, maintenance and other on Duke Energy's Condensed Consolidated Statement of Operations and in Duke Energy Indiana's Condensed Consolidated Statements of Operations and Comprehensive Income. The $20 million recorded in Operation, maintenance and other, is attributed to legal fees Duke Energy Indiana will be responsible for on behalf of certain intervenors, as well as funding for low income energy assistance, as required by the settlement agreement. These charges are in addition to pre-tax impairment charges of approximately $222 million in the third quarter of 2011 and $44 million recorded in the third quarter of 2010, as discussed above.

The CAC, Sierra Club Indiana chapter, Save the Valley and Valley Watch, filed testimony in opposition to the April 30, 2012 settlement agreement contending the agreement should not be approved, and that the amount of costs recovered from customers should be less than what the settlement agreement provides, potentially even zero. In addition to reiterating their prior concerns with the Edwardsport IGCC project, the intervenors noted above also contend new settlement terms should be added to mitigate carbon emissions,

conditions should be added prior to the plant being declared in-service and the IURC should consider their allegations of undue influence. Duke Energy Indiana, the Industrial Group and the OUCC, filed rebuttal testimony supporting the settlement as reasonable and in the public interest. An evidentiary hearing on the settlement agreement concluded on July 19,

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2012. Duke Energy Indiana, the Industrial Group and the OUCC will file a proposed order by August 17, 2012. A final order is expected by the end of the year.

On June 8, 2012, Duke Energy Indiana filed a petition with the IURC in connection with its ninth semi-annual rider request for the Edwardsport IGCC project. Evidentiary hearings for the ninth semi-annual rider requests are scheduled for January 14, 2013 and January 15, 2013.

Duke Energy is unable to predict the ultimate outcome of these proceedings. In the event the IURC disallows a portion of the remaining plant costs, including financing costs, or if cost estimates for the plant increase, additional charges to expense, which could be material, could occur**.** Construction of the Edwardsport IGCC plant is ongoing and the expected in-service date for the plant has been delayed from the fourth quarter of 2012 to the first quarter of 2013. The impact of this delay on the cost of the plant is currently being analyzed but cannot be determined at this time.

Duke Energy Carolinas William States Lee III Nuclear Station. In December 2007, Duke Energy Carolinas filed an application with the NRC, which has been docketed for review, for a combined Construction and Operating License (COL) for two Westinghouse AP1000 (advanced passive) reactors for the proposed William States Lee III Nuclear Station (Lee Nuclear Station) at a site in Cherokee County, South Carolina. Each reactor is capable of producing 1,117 MW. Submitting the COL application does not commit Duke Energy Carolinas to build nuclear units. Through several separate orders, the NCUC and PSCSC have concurred with the prudency of Duke Energy incurring project development and pre-construction costs.

Duke Energy Carolinas V.C. Summer Nuclear Station Letter of Intent. In July 2011, Duke Energy Carolinas signed a letter of intent with Santee Cooper related to the potential acquisition by Duke Energy Carolinas of a 5% to 10% ownership interest in the V.C. Summer Nuclear Station being developed by Santee Cooper and SCE&G near Jenkinsville, South Carolina. The letter of intent provides a path for Duke Energy Carolinas to conduct the necessary due diligence to determine if future participation in this project is beneficial for its customers.

Potential Plant Retirements.

The Subsidiary Registrants periodically file Integrated Resource Plans (IRP) with their state regulatory commissions. The IRPs provide a view of forecasted energy needs over a long term (15-20 years), and options being considered to meet those needs. The IRP’s filed by the Subsidiary Registrants in 2011 and 2010 included planning assumptions to potentially retire by 2015, certain coal-fired generating facilities in North Carolina, South Carolina, Indiana and Ohio that do not have the requisite emission control equipment, primarily to meet EPA regulations that are not yet effective.

Duke Energy classifies generating facilities that are still operating but are expected to be retired significantly before the end of their previously estimated useful lives as Generation facilities to be retired, net, on the Condensed Consolidated Balance Sheets. Amounts are reclassified from the cost and

accumulated depreciation of Property, plant and equipment when it becomes probable the plant will be retired. Duke Energy continues to depreciate these generating facilities based on current depreciable lives. When such facilities are removed from service, the remaining net carrying value, if any, is then reclassified to regulatory assets, in accordance with the expected ratemaking treatment.

The table below contains the net carrying value of generating facilities being evaluated for potential retirement included in the Condensed Consolidated Balance Sheets.

	June 30, 2012			
	Duke Energy	Duke Energy Carolinas[b][c]	Duke Energy Ohio[d]	Duke Energy Indiana[e]
Capacity (in MW)	2,773	1,080	1,025	668
Remaining net book value (in millions)[a]	$ 327	$ 176	$ 13	$ 138

(a) Included in Property, plant and equipment, net as of June 30, 2012, on the Condensed Consolidated Balance Sheets, unless otherwise noted.
(b) Includes Riverbend Units 4 through 7, Lee Units 1 through 3 and Buck Units 5 and 6. Duke Energy Carolinas has committed to retire 1,667 MW in conjunction with a Cliffside air permit settlement, of which 587 MW have already been retired as of June 30, 2012.
(c) Net book value of Buck Units 5 and 6 of $73 million is included in Generation facilities to be retired, net, on the Condensed Consolidated Balance Sheets at June 30, 2012.
(d) Includes Beckjord Station and Miami Fort Unit 6. Beckjord has no remaining book value.
(e) Includes Wabash River Units 2 through 6.

Duke Energy continues to evaluate the potential need to retire these coal-fired generating facilities earlier than the current estimated useful lives, and plans to seek regulatory recovery for amounts that would not be otherwise recovered when any of these assets are retired.

Other Matters.

Progress Energy Merger NCUC and North Carolina Department of Justice (NCDOJ) Investigations. On July 6, 2012, the NCUC issued an order initiating investigation and scheduling hearings addressing the timing of the Duke Energy board of directors' decision on July 2, 2012, to replace William D. Johnson with James E. Rogers as President and Chief Executive Officer (CEO) of Duke Energy, as well as other related matters.

Pursuant to the merger agreement, William D. Johnson, Chairman, President and CEO of Progress Energy became President and CEO of Duke Energy and James E. Rogers, Chairman, President and CEO of Duke Energy became Executive Chairman of Duke Energy upon close of the merger. Mr. Johnson subsequently resigned as the President and CEO of Duke Energy, effective July 3, 2012.

Pursuant to the NCUC's July 6, 2012 order, Mr. Rogers appeared before the NCUC on July 10, 2012, and provided testimony regarding the approval and closing of the merger and his replacement of Mr. Johnson as the President and CEO of Duke Energy. On July 19, 2012, Mr. Johnson, as well as E. Marie McKee and James B. Hyler, Jr., both former members of the Progress Energy board of directors and current members of the post-merger Duke Energy board of directors, appeared before the NCUC. Ann M. Gray and Michael

G. Browning, both members of the pre-merger and post-merger Duke Energy board of directors, appeared before the NCUC on July 20, 2012. All provided testimony on the timing of the decision to replace Mr. Johnson with Mr. Rogers, as well as other related matters.

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The NCUC's order also requests that Duke Energy provide certain documents related to the issue for its review. Duke Energy also received an Investigative Demand issued by the NCDOJ on July 6, 2012, requesting the production of certain documents related to the issues which are also the subject of the NCUC Investigation. Duke Energy's responses to these requests were submitted on August 7, 2012. Duke Energy is unable to predict the ultimate outcome of these proceedings.

Refer to Note 5 for information regarding Progress Energy merger shareholder litigation.

Duke Energy Ohio and Duke Energy Kentucky Regional Transmission Organization Realignment. Duke Energy Ohio, which includes its wholly owned subsidiary Duke Energy Kentucky, transferred control of its transmission assets to effect a Regional Transmission Organization (RTO) realignment from MISO to PJM, effective December 31, 2011.

On December 16, 2010, the FERC issued an order related to MISO's cost allocation methodology surrounding Multi-Value Projects (MVP), a type of MISO Transmission Expansion Planning (MTEP) project cost. MISO expects that MVP will fund the costs of large transmission projects designed to bring renewable generation from the upper Midwest to load centers in the eastern portion of the MISO footprint. MISO approved MVP proposals with estimated project costs of approximately $5.2 billion prior to the date of Duke Energy Ohio's exit from MISO on December 31, 2011. These projects are expected to be undertaken by the constructing transmission owners from 2012 through 2020 with costs recovered through MISO over the useful life of the projects. The FERC order did not clearly and expressly approve MISO's apparent interpretation that a withdrawing transmission owner is obligated to pay its share of costs of all MVP projects approved by MISO up to the date of the withdrawing transmission owners' exit from MISO. Duke Energy Ohio, including Duke Energy Kentucky, has historically represented approximately five-percent of the MISO system. The impact of this order is not fully known, but could result in a substantial increase in MISO transmission expansion costs allocated to Duke Energy Ohio and Duke Energy Kentucky subsequent to a withdrawal from MISO. Duke Energy Ohio and Duke Energy Kentucky, among other parties, sought rehearing of the FERC MVP order. On October 21, 2011, the FERC issued an order on rehearing in this matter largely affirming its original MVP order and conditionally accepting MISO's compliance filing as well as determining that the MVP allocation methodology is consistent with cost causation principles and FERC precedent. The FERC also reiterated that it will not prejudge any settlement agreement between an RTO and a withdrawing transmission owner for fees that a withdrawing transmission owner owes to the RTO. The order further states that any such fees that a withdrawing transmission owner owes to an RTO are a matter for those parties to negotiate, subject to review by the FERC. The FERC also ruled that Duke Energy Ohio and Duke Energy Kentucky's challenge of MISO's ability to allocate MVP costs to a withdrawing transmission owner is beyond the scope of the proceeding. The order further stated that MISO's tariff withdrawal language establishes that once cost responsibility for transmission upgrades is determined, withdrawing transmission owners retain any costs incurred prior to the withdrawal date. In order to preserve their rights, Duke Energy Ohio and Duke Energy Kentucky filed an appeal of the FERC order in the D.C. Circuit Court of Appeals. The case was consolidated with appeals of the FERC order by other parties in the Seventh Circuit Court of Appeals.

Duke Energy Ohio and Duke Energy Kentucky have entered into settlements or have received state regulatory approvals associated with the RTO realignment. On December 22, 2010, the KPSC issued an order granting approval of Duke Energy Kentucky's request to effect the RTO realignment, subject to several conditions. The conditions accepted by Duke Energy Kentucky include a commitment to not seek to double-recover in a future rate case the transmission expansion fees that may be charged by MISO and PJM in the same period or overlapping periods. On January 25, 2011, the KPSC issued an order stating that the order had been satisfied and is now unconditional.

On April 26, 2011, Duke Energy Ohio, Ohio Energy Group, The Office of Ohio Consumers' Counsel and the Commission Staff filed an Application and a Stipulation with the PUCO regarding Duke Energy Ohio's recovery via a non-bypassable rider of certain costs related to its proposed RTO realignment. Under the Stipulation, Duke Energy Ohio would recover all MTEP costs, including but not limited to MVP costs, directly or indirectly charged to Duke Energy Ohio retail customers. Duke Energy Ohio would not seek to recover any portion of the MISO exit obligation, PJM integration fees, or internal costs associated with the RTO realignment and the first $121 million of PJM transmission expansion costs from Ohio retail customers. Duke Energy Ohio also agreed to vigorously defend against any charges for MVP projects from MISO. On May 25, 2011, the Stipulation was approved by the PUCO. An application for rehearing filed by Ohio Partners for Affordable Energy was denied by the PUCO on July 15, 2011.

On October 14, 2011, Duke Energy Ohio and Duke Energy Kentucky filed an application with the FERC to establish new wholesale customer rates for transmission service under PJM's Open Access Transmission Tariff. In this filing, Duke Energy Ohio and Duke Energy Kentucky sought recovery of their legacy MTEP costs, including MVP costs, and submitted an analysis showing that the benefits of the RTO realignment outweigh the costs to the customers. The new rates went into effect, subject to refund, on January 1, 2012. Protests were filed by certain transmission customers. On April 24, 2012, FERC issued an order in which it, among other things, denied recovery of legacy MTEP costs without prejudice to the right of Duke Energy Ohio and Duke Energy Kentucky to make another filing including a more comprehensive cost-benefit analysis to support such recovery. Settlement discussions are underway with the relevant intervening parties that address matters raised in the initial October 14, 2011 filing.

On November 2, 2011, MISO, the MISO Transmission Owners, Duke Energy Ohio and Duke Energy Kentucky jointly submitted to the FERC a filing that addresses the treatment of MTEP costs, excluding MVP costs. The November 2, 2011 filing, which was accepted by the FERC on December 30, 2011, provides that the MISO Transmission Owners will continue to be obligated to construct the non-MVP MTEP projects, for which Duke Energy Ohio and Duke Energy Kentucky will continue to be obligated to pay a portion of the costs. Likewise, transmission customers serving load in MISO will continue to be obligated to pay a portion of the costs of a previously identified non-MVP MTEP project that Duke Energy Ohio has constructed.

On December 29, 2011, MISO filed with FERC a Schedule 39 to MISO's tariff. Schedule 39 provides for the allocation of MVP costs to a withdrawing owner based on the owner's actual transmission load after the owner's withdrawal from MISO, or, if the owner fails to report such load, based on the owner's historical usage in MISO assuming annual load growth. On January 19, 2012, Duke Energy Ohio and Duke Energy Kentucky filed with FERC a protest of the allocation of MVP costs to them under Schedule 39. On February 27, 2012, the FERC accepted Schedule 39 as a just and reasonable basis for MISO to charge for MVP costs, a transmission owner that withdraws from MISO after January 1, 2012. The FERC set for hearing whether MISO's proposal to use the methodology in Schedule 39 to calculate the obligation of transmission owners who withdrew from MISO prior to January 1, 2012 (such as Duke Energy Ohio and Duke Energy Kentucky) to pay for MVP costs is consistent with the MVP-related withdrawal obligations in the tariff at the time that they withdrew from MISO, and, if not, what amount of, and methodology for calculating, any MVP cost responsibility should be. On March 28, 2012, Duke Energy Ohio and Duke Energy Kentucky filed a request for rehearing of FERC's order on MISO's Schedule 39. This hearing is

expected to be scheduled for the first quarter of 2013.

On December 31, 2011, Duke Energy Ohio recorded a liability for its MISO exit obligation and share of MTEP costs, excluding MVP, of approximately $110 million. This liability was recorded within Other in Current liabilities and Other in Deferred credits and other liabilities on Duke Energy

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Ohio's Condensed Consolidated Balance Sheets upon exit from MISO on December 31, 2011. Approximately $74 million of this amount was recorded as a regulatory asset while $36 million was recorded to Operation, maintenance and other in Duke Energy Ohio's Condensed Consolidated Statements of Operations and Comprehensive Income. In addition to the above amounts, Duke Energy Ohio may also be responsible for costs associated with MISO MVP projects. Duke Energy Ohio is contesting its obligation to pay for such costs. However, depending on the final outcome of this matter, Duke Energy Ohio could incur material costs associated with MVP projects, which are not reasonably estimable at this time. Regulatory accounting treatment will be pursued for any costs incurred in connection with the resolution of this matter.

The following table provides a reconciliation of the beginning and ending balance of Duke Energy Ohio's recorded obligations related to its withdrawal from MISO:

(in millions)	Balance at December 31, 2011	Provision / Adjustments	Cash Reductions	Balance at June 30, 2012
Duke Energy Ohio	$ 110	$ 2	$ (15)	$ 97

Duke Energy Indiana Phase 2 Environmental Compliance Proceeding. On June 28, 2012, Duke Energy Indiana filed with the IURC a plan for the addition of certain environmental pollution control projects on several of its coal-fired generating units in order to comply with existing and proposed environmental rules and regulations. The plan calls for a combination of selective catalytic reduction systems, dry sorbent injection systems for SO_3 mitigation, activated carbon injection systems and/or mercury re-emission chemical injection systems. The capital costs are estimated at $450 million (excluding AFUDC). Duke Energy Indiana also indicated that it preliminarily anticipates the retirement of Wabash River Units 2 through 5 in 2015 and is still evaluating future equipment additions or retirement of Wabash River Unit 6. A procedural schedule for the IURC proceeding has not been established.

Duke Energy Indiana Carbon Sequestration. Duke Energy Indiana filed a petition with the IURC requesting approval of its plans for studying carbon storage, sequestration and/or enhanced oil recovery for the carbon dioxide (CO_2) from the Edwardsport IGCC facility on March 6, 2009. On July 7, 2009, Duke Energy Indiana filed its case-in-chief testimony requesting approval for cost recovery of a $121 million site assessment and characterization plan for CO_2 sequestration options including deep saline sequestration, depleted oil and gas sequestration and enhanced oil recovery for the CO_2 from the Edwardsport IGCC facility. The OUCC filed testimony supportive of the continuing study of carbon storage, but recommended that Duke Energy Indiana break its plan into phases, recommending approval of only $33 million in expenditures at this time and deferral of expenditures rather than cost recovery through a tracking mechanism as proposed by Duke Energy Indiana. The CAC, an intervenor, recommended against approval

of the carbon storage plan stating customers should not be required to pay for research and development costs. Duke Energy Indiana's rebuttal testimony was filed October 30, 2009, wherein it amended its request to seek deferral of $42 million to cover the carbon storage site assessment and characterization activities scheduled to occur through the end of 2010, with further required study expenditures subject to future IURC proceedings. An evidentiary hearing was held on November 9, 2009.

5. Commitments and Contingencies

Environmental.

Duke Energy is subject to international, federal, state and local regulations regarding air and water quality, hazardous and solid waste disposal and other environmental matters. Duke Energy Carolinas, Duke Energy Ohio and Duke Energy Indiana are subject to federal, state and local regulations regarding air and water quality, hazardous and solid waste disposal and other environmental matters. These regulations can be changed from time to time, imposing new obligations on the Duke Energy Registrants.

The following environmental matters impact all of the Duke Energy Registrants.

Remediation Activities. The Duke Energy Registrants are responsible for environmental remediation at various contaminated sites. These include some properties that are part of ongoing operations and sites formerly owned or used by Duke Energy entities. In some cases, Duke Energy no longer owns the property. Managed in conjunction with relevant federal, state and local agencies, activities vary with site conditions and locations, remediation requirements, complexity and sharing of responsibility. If remediation activities involve statutory joint and several liability provisions, strict liability, or cost recovery or contribution actions, the Duke Energy Registrants could potentially be held responsible for contamination caused by other parties. In some instances, the Duke Energy Registrants may share liability associated with contamination with other potentially responsible parties, and may also benefit from insurance policies or contractual indemnities that cover some or all cleanup costs. Reserves associated with remediation activities at certain sites have been recorded and it is anticipated that additional costs associated with remediation activities at certain sites will be incurred in the future. All of these sites generally are managed in the normal course of business or affiliate operations. The Duke Energy Registrants have accrued costs associated with remediation activities at some of its current and former sites, as well as other relevant environmental contingent liabilities. Management, in the normal course of business, continually assesses the nature and extent of known or potential environmentally related contingencies and records liabilities when losses become probable and are reasonably estimable. Costs associated with remediation activities within the Duke Energy Registrants' operations are typically expensed unless regulatory recovery of the costs is deemed probable.

As of June 30, 2012, Duke Energy Ohio had a total reserve of $22 million, related to remediation work at certain former manufactured gas plant (MGP) sites. Duke Energy Ohio has received an order from the PUCO to defer the costs incurred. As of June 30, 2012, Duke Energy Ohio has incurred and deferred $75 million of costs related to the MGP sites. The PUCO will rule on the recovery of these costs at a future proceeding. Management believes it is probable that additional liabilities will be incurred as work progresses at Ohio MGP sites; however, costs associated with future remediation cannot currently be reasonably estimated.

Clean Water Act 316(b). The EPA published its proposed cooling water intake structures rule on April 20, 2011. Duke Energy submitted comments on the proposed rule on August 16, 2011. The proposed rule advances one main approach and three alternatives. The main approach establishes aquatic protection

requirements for existing facilities and new on-site facility additions that withdraw 2 million gallons or more of water per day from rivers, streams, lakes, reservoirs, estuaries, oceans, or other U.S. waters for cooling purposes. Based on the main approach proposed, most, if not all of the 22 coal and nuclear-fueled generating facilities in which the Duke Energy Registrants are either a whole or partial owner are likely affected sources. Additional sources, including some combined-cycle combustion turbine facilities, may also be impacted, at least for intake modifications.

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The EPA recently modified a previous settlement agreement that now calls for the EPA to finalize the 316(b) rule by June 2013. Compliance with portions of the rule could begin as early as 2016. Because of the wide range of potential outcomes, including the other three alternative proposals, the Duke Energy Registrants are unable to estimate its costs to comply at this time.

Cross-State Air Pollution Rule (CSAPR). On August 8, 2011, the final Cross-State Air Pollution Rule (CSAPR) was published in the Federal Register. The CSAPR established state-level annual SO_2 and NO_x budgets that were to take effect on January 1, 2012, and state-level ozone-season NO_x budgets that were to take effect on May 1, 2012, allocating emission allowances to affected sources in each state equal to the state budget less an allowance set-aside for new sources. The budget levels were set to decline in 2014 for many states, including each state that the Duke Energy Registrants operate in, except for South Carolina where the budget levels were to remain constant. The rule allowed both intrastate and interstate allowance trading.

Numerous petitions for review of the CSAPR and motions for stay of the CSAPR were filed with the United States Court of Appeals for the District of Columbia. On December 30, 2011, the court ordered a stay of the CSAPR pending the court’s resolution of the various petitions for review. Based on the court’s order, the EPA continues to administer the Clean Air Interstate Rule that the Duke Energy Registrants have been complying with since 2009 and which was to be replaced by the CSAPR beginning in 2012. Oral arguments in the case were held on April 13, 2012. A decision is expected in the third quarter of 2012.

The stringency of the 2012 and 2014 CSAPR requirements varied among the Duke Energy Registrants. Where the CSAPR requirements were to be constraining, activities to meet the requirements could include purchasing emission allowances, power purchases, curtailing generation and utilizing low sulfur fuel. The CSAPR was not expected to result in Duke Energy Registrants adding new emission controls. Technical adjustments to the CSAPR recently finalized by the EPA will not materially impact the Duke Energy Registrants. The Duke Energy Registrants cannot predict the outcome of the litigation or how it might affect the CSAPR requirements as they apply to the Duke Energy Registrants.

Coal Combustion Product (CCP) Management. Duke Energy currently estimates that it will spend $259 million ($78 million at Duke Energy Carolinas, $63 million at Duke Energy Ohio and $118 million at Duke Energy Indiana) over the period 2012-2016 to install synthetic caps and liners at existing and new CCP landfills and to convert some of its CCP handling systems from wet to dry systems to comply with current regulations. A significant portion of the estimated spending will be capitalized as property, plant and equipment, while certain of the costs are the result of a legal obligation as defined by accounting guidance applicable to asset retirement obligations. The Duke Energy Registrants expect to recover the costs associated with regulated operations through routine regulatory rate proceedings. The EPA and a number of states are considering additional regulatory measures that will contain specific and more detailed requirements for the management and disposal of CCPs, primarily ash, which will also impact the Duke Energy Registrants’ coal-fired power plants.

On June 21, 2010, the EPA issued a proposal to regulate, under the Resource Conservation and Recovery Act, coal combustion residuals (CCR), a term the EPA uses to describe the CCPs associated with the generation of electricity. The EPA proposal contains two regulatory options whereby CCRs not employed in approved beneficial use applications would either be regulated as hazardous waste or would continue to be regulated as non-hazardous waste. Duke Energy cannot predict the outcome of this rulemaking. However, based on the proposal, the cost of complying with the final regulation will be material. The timing of a final rule is uncertain, but is not expected before sometime in 2013 at the earliest. A lawsuit has been filed in federal court seeking an unspecified legal deadline for the EPA to issue a final rule. The EPA is opposing the imposition of a legal deadline.

Mercury and Air Toxics Standards (MATS). The final Mercury and Air Toxics Standards rule (previously referred to as the Utility MACT Rule) was published in the Federal Register on February 16, 2012. The final rule establishes emission limits for hazardous air pollutants, including mercury from new and existing coal-fired electric generating units. The rule requires sources to comply with the emission limits by April 16, 2015. Under the Clean Air Act, permitting authorities have the discretion to grant up to a 1-year compliance extension, on a case-by-case basis, to sources that are unable to complete the installation of emission controls before the compliance deadline. The Duke Energy Registrants are evaluating the requirements of the rule and developing strategies for complying with the rule's requirements. Strategies to achieve compliance with the final MATS rules are likely to include installing new or upgrading existing air emission control equipment, developing monitoring processes and accelerating retirement of some coal-fired electric-generating units. For additional information, refer to Note 4, Regulatory Matters, regarding potential plant retirements.

Numerous petitions for review of the final MATS rule have been filed with the United States Court of Appeals for the District of Columbia. The court has not established a schedule for the litigation. The Duke Energy Registrants cannot predict the outcome of the litigation or how it might affect the MATS requirements as they apply to the Duke Energy Registrants.

As finalized, the cost to the Duke Energy Registrants to comply with the regulation will be material.

EPA Greenhouse Gas New Source Performance Standards (NSPS). On April 13, 2012, the EPA published in the Federal Register its proposed rule to establish carbon dioxide (CO_2) emissions standards for pulverized coal, IGCC, and natural gas combined cycle electric generating units that are permitted and constructed in the future. The proposal would not apply to any of the Duke Energy Registrants' coal (which includes IGCC) and natural gas generation plants that are currently under construction or in operation. Any future pulverized coal and IGCC units will have to employ carbon capture and storage (CCS) technology to meet the CO_2 emission standard the EPA has proposed. The proposed standard will not require new natural gas combined cycle facilities to install CCS technology.

Management does not expect any material impact on the Duke Energy Registrants' future results of operations or cash flows based on the EPA's proposal. The final rule, however, could be significantly different from the proposal. It is not known when the EPA might finalize the rule.

Estimated Cost and Impacts of EPA Rulemakings. While the ultimate compliance requirements for the Duke Energy Registrants for MATS, Clean Water Act 316(b), CSAPR and CCRs will not be known until all the rules have been finalized, for planning purposes, the Duke Energy Registrants currently estimate that the cost of new control equipment that may need to be installed on existing power plants to comply with this group of rules could total $4.5 billion to $5 billion, excluding AFUDC, over the next 10 years. The Duke Energy Registrants also expect to incur increased fuel, purchased power, operation and maintenance, and other expenses in conjunction with these EPA regulations, and also expect to incur costs for replacement generation for potential coal plant retirements. Until the final regulatory requirements of the group of EPA

regulations are known and can be fully evaluated, the potential compliance costs associated with these EPA regulatory actions are subject to considerable uncertainty. Therefore, the actual compliance costs incurred may be materially different from these estimates based on the timing and requirements of the final EPA regulations.

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The Duke Energy Registrants intend to seek regulatory recovery of amounts incurred associated with regulated operations in complying with these regulations. Refer to Note 4 for further information regarding potential plant retirements and regulatory filings related to the Duke Energy Registrants.

Litigation.

Duke Energy

Progress Energy Merger Shareholder Litigation. On July 20, 2012, Duke Energy was served with a shareholder Derivative Complaint filed in the Delaware Chancery Court (*Rupp v. Rogers, et al).* The lawsuit names as defendants Jim Rogers and the ten other members of the Duke Energy board of directors who were also members of the pre-merger Duke Energy board of directors (Legacy Duke Directors). Duke Energy is named as a nominal defendant. The lawsuit alleges claims for breach of fiduciary duties of loyalty and care by the defendants in connection with the post-merger change in CEO, as discussed in Note 4.

On August 3, 2012, Duke Energy was served with a second shareholder Derivative Complaint, which has been transferred to the North Carolina Business Court (*Krieger v. Johnson, et al).* The lawsuit names as defendants, William D. Johnson, James E. Rogers and the Legacy Duke Directors. Duke Energy is named as a nominal defendant. The lawsuit alleges claims for breach of fiduciary duty in granting excessive compensation to Mr. Johnson.

Duke Energy has also received three purported securities class action lawsuits. The first case (*Craig v. Duke Energy Corporation, et al,)* was filed on July 24, 2012, in the United States District Court for the Eastern District of North Carolina, Western Division and is brought on behalf of all persons who purchased Duke Energy stock between June 28, 2012 and July 9, 2012. The second case (*Nieman v. Duke Energy Corporation, et al,)* was filed on July 24, 2012, in the United States District Court for the Western District of North Carolina on behalf of all persons who exchanged shares of Progress Energy common stock for shares of Duke Energy common stock in connection with the merger. The third case (*Sunner v. Duke Energy Corporation, et al,)* was filed on July 30, 2012, in the United States District Court for the Western District of North Carolina on behalf of all persons who purchased stock of Duke Energy between June 11, 2012 and July 9, 2012 All three of these lawsuits name as defendants the Legacy Duke Directors. The *Craig* and *Nieman* cases also name certain officers of the company.

It is not possible to predict whether Duke Energy will incur any liability or to estimate the damages, if any, that Duke Energy might incur in connection with these lawsuits. Additional lawsuits may be filed.

Alaskan Global Warming Lawsuit. On February 26, 2008, plaintiffs, the governing bodies of an Inupiat village in Alaska, filed suit in the U.S. Federal Court for the Northern District of California against Peabody Coal and various oil and power company defendants, including Duke Energy and certain of its subsidiaries. Plaintiffs brought the action on their own behalf and on behalf of the village's 400 residents. The lawsuit alleges that defendants' emissions of CO_2 contributed to global warming and constitute a private and public

nuisance. Plaintiffs also allege that certain defendants, including Duke Energy, conspired to mislead the public with respect to global warming. The plaintiffs in the case have requested damages in the range of $95 million to $400 million related to the cost of relocating the Village of Kivalina. On June 30, 2008, the defendants filed a motion to dismiss on jurisdictional grounds, together with a motion to dismiss the conspiracy claims. On October 15, 2009, the District Court granted defendants motion to dismiss. The plaintiffs filed a notice of appeal and the Ninth Circuit Court of Appeals held argument in the case on November 28, 2011. Although Duke Energy believes the likelihood of loss is remote based on current case law, it is not possible to predict the ultimate outcome of this matter.

Price Reporting Cases. A total of five lawsuits were filed against Duke Energy affiliates and other energy companies and remain pending in a consolidated, single federal court proceeding in Nevada.

In November 2009, the judge granted defendants' motion for reconsideration of the denial of defendants' summary judgment motion in two of the remaining five cases to which Duke Energy affiliates are a party. A hearing on that motion occurred on July 15, 2011, and on July 19, 2011, the judge granted the motion for summary judgment. Plaintiffs have filed a notice of appeal to the U.S. Court of Appeals for the Ninth Circuit.

Each of these cases contains similar claims, that the respective plaintiffs, and the classes they claim to represent, were harmed by the defendants' alleged manipulation of the natural gas markets by various means, including providing false information to natural gas trade publications and entering into unlawful arrangements and agreements in violation of the antitrust laws of the respective states. Plaintiffs seek damages in unspecified amounts. It is not possible to predict whether Duke Energy will incur any liability or to estimate the damages, if any, that Duke Energy might incur in connection with the remaining matters. However, based on Duke Energy's past experiences with similar cases of this nature, it does not believe its exposure under these remaining matters is material.

Duke Energy International Paranapanema Lawsuit. On July 16, 2008, Duke Energy International Geracao Paranapanema S.A. (DEIGP) filed a lawsuit in the Brazilian federal court challenging transmission fee assessments imposed under two new resolutions promulgated by the Brazilian Electricity Regulatory Agency (ANEEL) (collectively, the Resolutions). The Resolutions purport to impose additional transmission fees (retroactive to July 1, 2004 and effective through June 30, 2009) on generation companies located in the State of São Paulo for utilization of the electric transmission system. The new charges are based upon a flat-fee that fails to take into account the locational usage by each generator. DEIGP's additional assessment under these Resolutions amounts to approximately $59 million, inclusive of interest, through June 2012. Based on DEIGP's continuing refusal to tender payment of the disputed sums, on April 1, 2009, ANEEL imposed an additional fine against DEIGP in the amount of $9 million. DEIGP filed a request to enjoin payment of the fine and for an expedited decision on the merits or, alternatively, an order requiring that all disputed sums be deposited in the court's registry in lieu of direct payment to the distribution companies.

On June 30, 2009, the court issued a ruling in which it granted DEIGP's request for injunction regarding the additional fine, but denied DEIGP's request for an expedited decision on the original assessment or payment into the court registry. Under the court's order, DEIGP was required to make installment payments on the original assessment directly to the distribution companies pending resolution on the merits. DEIGP filed an appeal and on August 28, 2009, the order was modified to allow DEIGP to deposit the disputed portion of each installment, which was most of the assessed amount, into an escrow account pending resolution on the merits. In the second quarter of 2009, Duke Energy recorded a pre-tax charge of $33 million associated with this matter.

Brazil Expansion Lawsuit. On August 9, 2011, the State of São Paulo filed a lawsuit in Brazilian state court against DEIGP based upon a claim that DEIGP is under a continuing obligation to expand installed

generation capacity by 15% pursuant to a stock purchase agreement under which DEIGP purchased generation assets from the state. On August 10, 2011, a judge granted an ex parte injunction ordering DEIGP to present a detailed

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expansion plan in satisfaction of the 15% obligation. DEIGP has previously taken a position that the 15% expansion obligation is no longer viable given the changes that have occurred in the electric energy sector since privatization of that sector. After filing various objections, defenses and appeals regarding the referenced order, DEIGP submitted its proposed expansion plan on November 11, 2011, but reserved its objections regarding enforceability. The parties will in due course present evidence to the court regarding their respective positions. No trial date has been set.

Crescent Litigation. On September 3, 2010, the Crescent Resources Litigation Trust filed suit against Duke Energy along with various affiliates and several individuals, including current and former employees of Duke Energy, in the U.S. Bankruptcy Court for the Western District of Texas. The Crescent Resources Litigation Trust was established in May 2010 pursuant to the plan of reorganization approved in the Crescent bankruptcy proceedings in the same court. The complaint alleges that in 2006 the defendants caused Crescent to borrow approximately $1.2 billion from a consortium of banks and immediately thereafter distribute most of the loan proceeds to Crescent's parent company without benefit to Crescent. The complaint further alleges that Crescent was rendered insolvent by the transactions, and that the distribution is subject to recovery by the Crescent bankruptcy estate as an alleged fraudulent transfer. The plaintiff requests return of the funds as well as other statutory and equitable relief, punitive damages and attorneys' fees. Duke Energy and its affiliated defendants believe that the referenced 2006 transactions were legitimate and did not violate any state or federal law. Defendants filed a motion to dismiss in December 2010. On March 21, 2011, the plaintiff filed a response to the defendant's motion to dismiss and a motion for leave to file an amended complaint, which was granted. The Defendants filed a second motion to dismiss in response to plaintiffs' amended complaint.

The plaintiffs filed a demand for a jury trial, a motion to transfer the case to the federal district court, and a motion to consolidate the case with a separate action filed by the plaintiffs against Duke Energy's legal counsel. On March 22, 2012, the federal District Court issued an order denying the defendant's motion to dismiss and granting the plaintiffs' motions for transfer and consolidation. The court has not yet made a final ruling on whether the plaintiffs are entitled to a jury trial. Trial on this matter has been set to commence in January 2014. Duke Energy has agreed to participate in a mediation of this matter, currently scheduled for August 21 and 22, 2012.

It is not possible to predict whether Duke Energy will incur any liability or to estimate the damages, if any, that Duke Energy might incur in connection with this lawsuit.

Federal Advanced Clean Coal Tax Credits. Duke Energy Carolinas has been awarded $125 million of federal advanced clean coal tax credits associated with its construction of Cliffside Unit 6 and Duke Energy Indiana has been awarded $134 million of federal advanced clean coal tax credits associated with its construction of the Edwardsport IGCC plant. In March 2008, two environmental groups, Appalachian Voices and the Canary Coalition, filed suit against the Federal government challenging the tax credits awarded to incentivize certain clean coal projects. Although Duke Energy was not a party to the case, the allegations center on the tax incentives provided for the Cliffside and Edwardsport projects. The initial complaint alleged a failure to comply with the National Environmental Policy Act. The first amended

complaint, filed in August 2008, added an Endangered Species Act claim and also sought declaratory and injunctive relief against the DOE and the U.S. Department of the Treasury. In 2008, the District Court dismissed the case. On September 23, 2009, the District Court issued an order granting plaintiffs' motion to amend their complaint and denying, as moot, the motion for reconsideration. Plaintiffs have filed their second amended complaint. The Federal government has moved to dismiss the second amended complaint; the motion is pending. On July 26, 2010, the District Court denied plaintiffs' motion for preliminary injunction seeking to halt the issuance of the tax credits.

Duke Energy Carolinas

New Source Review (NSR). In 1999-2000, the DOJ, acting on behalf of the EPA and joined by various citizen groups and states, filed a number of complaints and notices of violation against multiple utilities across the country for alleged violations of the NSR provisions of the CAA. Generally, the government alleges that projects performed at various coal-fired units were major modifications, as defined in the CAA, and that the utilities violated the CAA when they undertook those projects without obtaining permits and installing the best available emission controls for SO_2, NO_x and particulate matter. The complaints seek injunctive relief to require installation of pollution control technology on various generating units that allegedly violated the CAA, and unspecified civil penalties in amounts of up to $32,500 per day for each violation. A number of Duke Energy Carolinas' plants have been subject to these allegations. Duke Energy Carolinas asserts that there were no CAA violations because the applicable regulations do not require permitting in cases where the projects undertaken are "routine" or otherwise do not result in a net increase in emissions.

In 2000, the government brought a lawsuit against Duke Energy Carolinas in the U.S. District Court in Greensboro, North Carolina. The EPA claims that 29 projects performed at 25 of Duke Energy Carolinas' coal-fired units violate these NSR provisions. Three environmental groups have intervened in the case. In August 2003, the trial court issued a summary judgment opinion adopting Duke Energy Carolinas' legal positions on the standard to be used for measuring an increase in emissions, and granted judgment in favor of Duke Energy Carolinas. The trial court's decision was appealed and ultimately reversed and remanded for trial by the U.S. Supreme Court. At trial, Duke Energy Carolinas will continue to assert that the projects were routine or not projected to increase emissions. On February 11, 2011, the trial judge held an initial status conference and on March 22, 2011, the judge entered an interim scheduling order. The parties have filed a stipulation in which the United States and Plaintiff-Intervenors have dismissed with prejudice 16 claims. In exchange, Duke Energy Carolinas dismissed certain affirmative defenses. The parties have filed motions for summary judgment on the remaining claims. No trial date has been set, but a trial is not expected until the second half of 2012, at the earliest.

It is not possible to estimate the damages, if any, that might be incurred in connection with the unresolved matters related to Duke Energy Carolinas discussed above. Ultimate resolution of these matters could have a material effect on the consolidated results of operations, cash flows or financial position of Duke Energy Carolinas. However, the appropriate regulatory treatment will be pursued for any costs incurred in connection with such resolution.

Asbestos-related Injuries and Damages Claims. Duke Energy Carolinas has experienced numerous claims for indemnification and medical cost reimbursement relating to damages for bodily injuries alleged to have arisen from the exposure to or use of asbestos in connection with construction and maintenance activities conducted on its electric generation plants prior to 1985. As of June 30, 2012, there were 188 asserted claims for non-malignant cases with the cumulative relief sought of up to $47 million, and 58 asserted claims for malignant cases with the cumulative relief sought of up to $21 million. Based on Duke Energy Carolinas' experience, it is expected that the ultimate resolution of most of these claims likely will be less than the amount claimed.

Amounts recognized as asbestos-related reserves related to Duke Energy Carolinas in the respective Condensed Consolidated Balance Sheets totaled $776 million and $801 million as of June 30, 2012 and December 31, 2011, respectively, and are classified in Other within Deferred Credits and Other Liabilities and Other within Current Liabilities. These reserves are based upon the minimum amount in Duke Energy Carolinas' best estimate of

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the range of loss for current and future asbestos claims through 2030. Management believes that it is possible there will be additional claims filed against Duke Energy Carolinas after 2030. In light of the uncertainties inherent in a longer-term forecast, management does not believe that they can reasonably estimate the indemnity and medical costs that might be incurred after 2030 related to such potential claims. Asbestos-related loss estimates incorporate anticipated inflation, if applicable, and are recorded on an undiscounted basis. These reserves are based upon current estimates and are subject to greater uncertainty as the projection period lengthens. A significant upward or downward trend in the number of claims filed, the nature of the alleged injury, and the average cost of resolving each such claim could change our estimated liability, as could any substantial or favorable verdict at trial. A federal legislative solution, further state tort reform or structured settlement transactions could also change the estimated liability. Given the uncertainties associated with projecting matters into the future and numerous other factors outside our control, management believes that it is possible Duke Energy Carolinas may incur asbestos liabilities in excess of the recorded reserves.

Duke Energy Carolinas has a third-party insurance policy to cover certain losses related to asbestos-related injuries and damages above an aggregate self insured retention of $476 million. Duke Energy Carolinas' cumulative payments began to exceed the self insurance retention on its insurance policy in 2008. Future payments up to the policy limit will be reimbursed by Duke Energy Carolinas' third party insurance carrier. The insurance policy limit for potential future insurance recoveries for indemnification and medical cost claim payments is $968 million in excess of the self insured retention. Insurance recoveries of $813 million related to this policy are classified in the respective Condensed Consolidated Balance Sheets in Other within Investments and Other Assets and Receivables as of both June 30, 2012 and December 31, 2011, respectively. Duke Energy Carolinas is not aware of any uncertainties regarding the legal sufficiency of insurance claims. Management believes the insurance recovery asset is probable of recovery as the insurance carrier continues to have a strong financial strength rating.

Duke Energy Ohio

Antitrust Lawsuit. In January 2008, four plaintiffs, including individual, industrial and nonprofit customers, filed a lawsuit against Duke Energy Ohio in federal court in the Southern District of Ohio. Plaintiffs alleged that Duke Energy Ohio (then The Cincinnati Gas & Electric Company), conspired to provide inequitable and unfair price advantages for certain large business consumers by entering into non-public option agreements with such consumers in exchange for their withdrawal of challenges to Duke Energy Ohio's pending Rate Stabilization Plan (RSP), which was implemented in early 2005. On March 31, 2009, the District Court granted Duke Energy Ohio's motion to dismiss. Plaintiffs filed a motion to alter or set aside the judgment, which was denied by an order dated March 31, 2010. In April 2010, the plaintiffs filed their appeal of that order with the U.S. Court of Appeals for the Sixth Circuit, which heard argument on that appeal on January 11, 2012. On June 4, 2012, the Sixth Circuit Court of Appeals reversed the district court's decision and remanded the matter on all claims for trial on the merits and on July 25, 2012, the Court denied Duke Energy Ohio's petition for an en banc review of the case. It is not possible to predict at this time whether Duke Energy Ohio will incur any liability or to estimate the damages, if any, that Duke Energy Ohio might incur in connection with this lawsuit.

Asbestos-related Injuries and Damages Claims. Duke Energy Ohio has been named as a defendant or co-defendant in lawsuits related to asbestos at its electric generating stations. The impact on Duke Energy Ohio's consolidated results of operations, cash flows or financial position of these cases to date has not been material. Based on estimates under varying assumptions concerning uncertainties, such as, among others: (i) the number of contractors potentially exposed to asbestos during construction or maintenance of Duke Energy Ohio generating plants; (ii) the possible incidence of various illnesses among exposed workers, and (iii) the potential settlement costs without federal or other legislation that addresses asbestos tort actions, Duke Energy Ohio estimates that the range of reasonably possible exposure in existing and future suits over the foreseeable future is not material. This estimated range of exposure may change as additional settlements occur and claims are made and more case law is established.

Other Litigation and Legal Proceedings.

The Duke Energy Registrants are involved in other legal, tax and regulatory proceedings arising in the ordinary course of business, some of which involve substantial amounts. Management believes that the final disposition of these proceedings will not have a material effect on its consolidated results of operations, cash flows or financial position.

The Duke Energy Registrants expense legal costs related to the defense of loss contingencies as incurred.

The Duke Energy Registrants have exposure to certain legal matters that are described herein. The Duke Energy Registrants have recorded reserves for these proceedings and exposures as presented in the table below. These reserves represent management's best estimate of probable loss as defined in the accounting guidance for contingencies. The estimated reasonably possible range of loss for non-asbestos related matters in excess of the recorded reserves is not material. Duke Energy has insurance coverage for certain of these losses incurred as presented in the table below.

(in millions)	**June 30, 2012**	**December 31, 2011**
Reserves for Legal Matters[a]		
Duke Energy[b]	**$ 792**	$ 810
Duke Energy Carolinas[b]	**776**	801
Duke Energy Indiana	**8**	4
Probable Insurance Recoveries[c]		
Duke Energy[d]	**$ 813**	$ 813
Duke Energy Carolinas[d]	**813**	813

(a) Reserves are classified in the respective Condensed Consolidated Balance Sheets in Other within Deferred Credits and Other Liabilities and Other within Current Liabilities.

(b) Includes reserves for aforementioned asbestos-related injuries and damages claims.

(c) Insurance recoveries are classified in the respective Condensed Consolidated Balance Sheets in Other within Investments and Other Assets and Receivables.

(d) Relates to recoveries associated with aforementioned asbestos-related injuries and damages claims.

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Other Commitments and Contingencies

General.

As part of its normal business, the Duke Energy Registrants are a party to various financial guarantees, performance guarantees and other contractual commitments to extend guarantees of credit and other assistance to various subsidiaries, investees and other third parties. To varying degrees, these guarantees involve elements of performance and credit risk, which are not included on the respective Condensed Consolidated Balance Sheets. The possibility of any of the Duke Energy Registrants having to honor their contingencies is largely dependent upon future operations of various subsidiaries, investees and other third parties, or the occurrence of certain future events.

In addition, the Duke Energy Registrants enter into various fixed-price, non-cancelable commitments to purchase or sell power (tolling arrangements or power purchase contracts), take-or-pay arrangements, transportation or throughput agreements and other contracts that may or may not be recognized on the respective Condensed Consolidated Balance Sheets. Some of these arrangements may be recognized at fair value on the respective Condensed Consolidated Balance Sheets if such contracts meet the definition of a derivative and the normal purchase normal sale (NPNS) exception does not apply.

6. Debt and Credit Facilities

Significant changes to the Duke Energy Registrants' debt and credit facilities since December 31, 2011 are as follows:

First Mortgage Bonds. In March 2012, Duke Energy Indiana issued $250 million principal amount of first mortgage bonds, which carry a fixed interest rate of 4.20% and mature March 15, 2042. Proceeds from the issuances were used to repay a portion of Duke Energy Indiana's outstanding short-term debt.

Other Debt. DS Cornerstone, LLC, a 50/50 joint venture entity with a third-party joint venture partner, owns two wind generation projects and has executed a third party financing against the two wind generation projects. In April 2012, Duke Energy and SCOA negotiated a $330 million, Construction and 12-year amortizing Term Loan Facility, on behalf of the borrower, a wholly owned subsidiary of the joint venture. The loan agreement is non-recourse to Duke Energy. Duke Energy received proceeds of $319 million upon execution of the loan agreement. This amount represents reimbursement of a significant portion of Duke Energy's construction costs incurred as of the date of the agreement.

In January 2012, Duke Energy Carolinas used proceeds from its December 2011 $1 billion issuance of principal amount of first mortgage bonds to repay $750 million 6.25% senior unsecured notes that matured January 15, 2012.

In the first quarter of 2012, Duke Energy completed the previously announced sale of International Energy's indirect 25% ownership interest in Attiki Gas Supply, S.A (Attiki), a Greek corporation, to an existing equity owner in a series of transactions that resulted in the full discharge of the related debt obligation. No gain or loss was recognized on these transactions. As of December 31, 2011, Duke Energy's investment balance was $64 million and the related debt obligation of $64 million was reflected in Current Maturities of Long-Term Debt on Duke Energy's Condensed Consolidated Balance Sheets.

On April 4, 2011, Duke Energy filed a registration statement (Form S-3) with the SEC to sell up to $1 billion of variable denomination floating rate demand notes, called PremierNotes. The Form S-3 states that no more than $500 million of the notes will be outstanding at any particular time. The notes are offered on a continuous basis and bear interest at a floating rate per annum determined by the Duke Energy PremierNotes Committee, or its designee, on a weekly basis. The interest rate payable on notes held by an investor may vary based on the principal amount of the investment. The notes have no stated maturity date, but may be redeemed in whole or in part by Duke Energy at any time. The notes are non-transferable and may be redeemed in whole or in part at the investor's option. Proceeds from the sale of the notes will be used for general corporate purposes. The balance as of June 30, 2012 and December 31, 2011, is $209 million and $79 million, respectively. The notes reflect a short-term debt obligation of Duke Energy and are reflected as Notes payable and commercial paper on Duke Energy's Condensed Consolidated Balance Sheets.

At June 30, 2012 Duke Energy had $250 million principal amount of 5.65% senior notes due June 2013 classified as Current maturities of long-term debt on Duke Energy's Condensed Consolidated Balance Sheets. At December 31, 2011, these notes were classified as Long-term Debt on Duke Energy's Condensed Consolidated Balance Sheets. Duke Energy currently anticipates satisfying this obligation with proceeds from additional borrowings.

At June 30, 2012 and December 31, 2011, Duke Energy Carolinas had $400 million principal amount of 5.625% senior unsecured notes due November 2012 classified as Current maturities of long-term debt on its Condensed Consolidated Balance Sheets. Duke Energy Carolinas currently anticipates satisfying this obligation with proceeds from additional borrowings.

At June 30, 2012 and December 31, 2011, Duke Energy Ohio had $500 million principal amount of 5.70% debentures due September 2012 classified as Current maturities of long-term debt on its Condensed Consolidated Balance Sheets. Duke Energy currently anticipates satisfying this obligation with proceeds from additional borrowings, in connection with the Duke Energy Ohio generation asset transfer, as discussed in Note 4.

At June 30, 2012 Duke Energy Ohio had $250 million principal amount of 2.10% first mortgage bonds due June 2013 classified as Current maturities of long-term debt on Duke Energy Ohio's Condensed Consolidated Balance Sheets. At December 31, 2011, these notes were classified as Long-term Debt on Duke Energy Ohio's Condensed Consolidated Balance Sheets. Duke Energy Ohio currently anticipates satisfying this obligation with proceeds from additional borrowings.

Non-Recourse Notes Payable of VIEs. To fund the purchase of receivables, CRC borrows from third parties and such borrowings fluctuate based on the amount of receivables sold to CRC. The borrowings are secured by the assets of CRC and are non-recourse to Duke Energy. The debt is short-term because the facility has an expiration date of October 2012. At June 30, 2012 and December 31, 2011, CRC borrowings were $269 million and $273 million, respectively, and are reflected as Non-recourse notes payable of VIEs on Duke Energy's Condensed Consolidated Balance Sheets.

Money Pool. The Subsidiary Registrants receive support for their short-term borrowing needs through participation with Duke Energy and certain of its subsidiaries in a money pool arrangement. Under this arrangement, those companies with short-term funds may provide short-term loans to affiliates participating under this arrangement. The money pool is structured such that the Subsidiary Registrants separately manage their cash needs and working capital requirements. Accordingly, there is no net settlement of receivables and payables between the money pool participants. Per the terms of the money pool arrangement, the parent company, Duke Energy may loan funds to its participating subsidiaries, but may not borrow funds

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through the money pool. Accordingly, as the money pool activity is between Duke Energy and its wholly owned subsidiaries, all money pool balances are eliminated within Duke Energy's Condensed Consolidated Balance Sheets. The following table shows the Subsidiary Registrants' money pool balances and classification within their respective Condensed Consolidated Balance Sheets:

	June 30, 2012			**December 31, 2011**		
(in millions)	**Receivables**	**Notes Payable**	**Long-term Debt**	**Receivables**	**Notes Payable**	**Long-term Debt**
Duke Energy Carolinas	**$ 244**	**$**	**$ 300**	$ 923	$	$ 300
Duke Energy Ohio	**181**			311		
Duke Energy Indiana		**113**	**150**		300	150

Increases or decreases in money pool receivables are reflected within investing activities on the respective Subsidiary Registrants' Condensed Consolidated Statements of Cash Flows, while increases or decreases in money pool borrowings are reflected within financing activities on the respective Subsidiary Registrants Condensed Consolidated Statements of Cash Flows.

Available Credit Facilities. In November 2011, Duke Energy entered into a new $6 billion, five-year master credit facility, with $4 billion available at closing and the remaining $2 billion became effective July 2, 2012, following the closing of the merger with Progress Energy. The Duke Energy Registrants each have borrowing capacity under the master credit facility up to specified sublimits for each borrower. However, Duke Energy has the unilateral ability at any time to increase or decrease the borrowing sublimits of each borrower, subject to a maximum sublimit for each borrower. See the table below for the borrowing sublimits for each of the borrowers as of June 30, 2012. The amount available under the master credit facility has been reduced, as indicated in the table below, by the use of the master credit facility to backstop the issuances of commercial paper, letters of credit and certain tax-exempt bonds. As indicated, borrowing sub limits for the Subsidiary Registrants are also reduced for certain amounts outstanding under the money pool arrangement.

This summary only includes Duke Energy's master credit facility and, accordingly excludes certain demand facilities and committed facilities that are immaterial in size or which generally support very specific requirements, which primarily include facilities that backstop various outstanding tax-exempt bonds. These facilities that backstop various outstanding tax-exempt bonds generally have non-cancelable terms in excess of one year from the balance sheet date, such that the Duke Energy Registrants have the ability to refinance such borrowings on a long-term basis. Accordingly, such borrowings are reflected as Long-term Debt on the Condensed Consolidated Balance Sheets of the respective Duke Energy Registrant.

	June 30, 2012				
(in millions)	Duke Energy (Parent)	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana	Total Duke Energy
Facility Size	$ 1,250	$ 1,250	$ 750	$ 750	$ 4,000
Notes Payable and Commercial Paper	(518)	(300)		(216)	(1,034)
Outstanding Letters of Credit	(20)	(7)			(27)
Tax-Exempt Bonds		(95)	(84)	(81)	(260)
Available Capacity	$ 712	$ 848	$ 666	$ 453	$ 2,679

Restrictive Debt Covenants. The Duke Energy Registrants' debt and credit agreements contain various financial and other covenants. The master credit facility contains a covenant requiring the debt-to-total capitalization ratio to not exceed 65% for each borrower. Failure to meet those covenants beyond applicable grace periods could result in accelerated due dates and/or termination of the agreements. As of June 30, 2012, each of the Duke Energy Registrants were in compliance with all covenants related to its significant debt agreements. In addition, some credit agreements may allow for acceleration of payments or termination of the agreements due to nonpayment, or the acceleration of other significant indebtedness of the borrower or some of its subsidiaries. None of the significant debt or credit agreements contain material adverse change clauses.

7. Goodwill

On July 2, 2012, Duke Energy completed the previously announced merger with Progress Energy, which will result in incremental goodwill to Duke Energy in the third quarter of 2012. See Note 2 for additional information.

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Goodwill

The following tables show goodwill by reportable operating segment for Duke Energy and Duke Energy Ohio:

Duke Energy

(in millions)	USFE&G	Commercial Power	International Energy	Total
Balance at December 31, 2011:				
Goodwill	$ 3,483	$ 940	$ 297	$ 4,720
Accumulated Impairment Charges		(871)		(871)
Balance at December 31, 2011, as adjusted for accumulated impairment charges	3,483	69	297	3,849
Balance at June 30, 2012:				
Goodwill	**3,483**	**940**	**297**	**4,720**
Accumulated Impairment Charges		**(871)**		**(871)**
Foreign Exchange and Other Changes			**(7)**	**(7)**
Balance at June 30, 2012, as adjusted for accumulated impairment charges	**$ 3,483**	**$ 69**	**$ 290**	**$ 3,842**

Duke Energy Ohio

(in millions)	Franchised Electric & Gas	Commercial Power	Total
Balance at December 31, 2011:			
Goodwill	$ 1,137	$ 1,188	$ 2,325
Accumulated Impairment Charges	(216)	(1,188)	(1,404)
Balance at December 31, 2011, as adjusted for accumulated impairment charges	921		921
Balance at June 30, 2012:			
Goodwill	**1,137**	**1,188**	**2,325**
Accumulated Impairment Charges	**(216)**	**(1,188)**	**(1,404)**
Balance at June 30, 2012, as adjusted for accumulated impairment charges	**$ 921**	**$**	**$ 921**

8. Risk Management, Derivative Instruments and Hedging Activities

The Duke Energy Registrants utilize various derivative instruments to manage risks primarily associated with commodity prices and interest rates. The primary use of energy commodity derivatives is to hedge the generation portfolio against exposure to changes in the prices of power and fuel. Interest rate derivatives are entered into to manage interest rate risk associated with variable-rate and fixed-rate borrowings.

Certain derivative instruments qualify for hedge accounting and are designated as either cash flow hedges or fair value hedges, while others either do not qualify as accounting hedges (such as economic hedges) or have not been designated as hedges (hereinafter referred to as undesignated contracts). All derivative instruments not meeting the criteria for the NPNS exception are recognized as either assets or liabilities at fair value in the Condensed Consolidated Balance Sheets. As the regulated operations of the Duke Energy Registrants meet the criteria for regulatory accounting treatment, the majority of the derivative contracts entered into by the regulated operations are not designated as hedges since gains and losses on such contracts are deferred as regulatory liabilities and assets, respectively. Thus there is no immediate earnings impact associated with changes in fair values of such derivative contracts.

For derivative instruments that qualify and are designated as cash flow hedges, the effective portion of the gain or loss is reported as a component of Accumulated Other Comprehensive Income (AOCI) and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Any gains or losses on the derivative that represent either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings. For derivative instruments that qualify and are designated as a fair value hedge, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item are recognized in earnings in the current period. Any gains or losses on the derivative are included in the same line item as the offsetting loss or gain on the hedged item in the Condensed Consolidated Statements of Operations for Duke Energy, or in the Condensed Consolidated Statements of Comprehensive Income for Duke Energy Carolinas, Duke Energy Ohio, and Duke Energy Indiana.

Information presented in the tables below relates to Duke Energy and Duke Energy Ohio. Separate disclosure for Duke Energy Carolinas and Duke Energy Indiana are not always presented as regulatory accounting treatment is applied to substantially all of their derivative instruments.

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Commodity Price Risk

The Duke Energy Registrants are exposed to the impact of market changes in the future prices of electricity (energy, capacity and financial transmission rights), coal, natural gas and emission allowances (SO_2 , seasonal NO_X and annual NO_X) as a result of their energy operations such as electricity generation and the transportation and sale of natural gas. With respect to commodity price risks associated with electricity generation, the Duke Energy Registrants are exposed to changes including, but not limited to, the cost of the coal and natural gas used to generate electricity, the prices of electricity in wholesale markets, the cost of capacity and electricity purchased for resale in wholesale markets and the cost of emission allowances primarily at the Duke Energy Registrants' coal fired power plants. Risks associated with commodity price changes on future operations are closely monitored and, where appropriate, various commodity contracts are used to mitigate the effect of such fluctuations on operations. Exposure to commodity price risk is influenced by a number of factors, including, but not limited to, the term of the contract, the liquidity of the market and delivery location.

Commodity Fair Value Hedges. At June 30, 2012, there were no open commodity derivative instruments that were designated as fair value hedges.

Commodity Cash Flow Hedges. At June 30, 2012, there were no open commodity derivative instruments that were designated as cash flow hedges.

Undesignated Contracts. The Duke Energy Registrants use derivative contracts as economic hedges to manage the market risk exposures that arise from providing electricity generation and capacity to large energy customers, energy aggregators, retail customers and other wholesale companies. Undesignated contracts may include contracts not designated as a hedge, contracts that do not qualify for hedge accounting, derivatives that do not or no longer qualify for the NPNS scope exception, and de-designated hedge contracts. Undesignated contracts also include contracts associated with operations that Duke Energy continues to wind down or has included as discontinued operations. As these undesignated contracts expire as late as 2021, Duke Energy has entered into economic hedges that leave it minimally exposed to changes in prices over the duration of these contracts.

Duke Energy Carolinas uses derivative contracts as economic hedges to manage the market risk exposures that arise from electricity generation. As of June 30, 2012, Duke Energy Carolinas does not have undesignated commodity derivatives.

Duke Energy Ohio uses derivative contracts as economic hedges to manage the market risk exposures that arise from providing electricity generation and capacity to large energy customers, energy aggregators, retail customers and other wholesale companies. Undesignated contracts at June 30, 2012 are primarily associated with forward sales and purchases of power, coal and emission allowances, for the Commercial Power segment.

Duke Energy Indiana uses derivative contracts as economic hedges to manage the market risk exposures that arise from electricity generation. Undesignated contracts at June 30, 2012 are primarily associated with forward purchases and sales of power, financial transmission rights and emission allowances.

Interest Rate Risk

The Duke Energy Registrants are exposed to risk resulting from changes in interest rates as a result of their issuance or anticipated issuance of variable and fixed-rate debt and commercial paper. Interest rate exposure is managed by limiting variable-rate exposures to a percentage of total debt and by monitoring the effects of market changes in interest rates. To manage risk associated with changes in interest rates, the Duke Energy Registrants may enter into financial contracts; primarily interest rate swaps and U.S. Treasury lock agreements. Additionally, in anticipation of certain fixed-rate debt issuances, a series of forward starting interest rate swaps may be executed to lock in components of the market interest rates at the time and terminated prior to or upon the issuance of the corresponding debt. When these transactions occur within a business that meets the criteria for regulatory accounting treatment, these contracts may be treated as undesignated and any pre-tax gain or loss recognized from inception to termination of the hedges would be recorded as a regulatory liability or asset and amortized as a component of interest expense over the life of the debt. Alternatively, these derivatives may be designated as hedges whereby, any pre-tax gain or loss recognized from inception to termination of the hedges would be recorded in AOCI and amortized as a component of interest expense over the life of the debt.

The following table shows the notional amounts for derivatives related to interest rate risk:

Notional Amounts of Derivative Instruments Related to Interest Rate

	Duke Energy	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana
(in millions)		**June 30, 2012**		
Cash Flow Hedges[(a)]	$ **1,130**	**$**	**$**	**$**
Undesignated Contracts	**243**		**27**	**200**
Fair Value Hedges	**275**	**25**	**250**	
Total Notional Amount	$ **1,648**	**$ 25**	**$ 277**	**$ 200**
(in millions)		**December 31, 2011**		
Cash Flow Hedges[(a)]	$ 841	$	$	$
Undesignated Contracts	247		27	200
Fair Value Hedges	275	25	250	
Total Notional Amount	$ 1,363	$ 25	$ 277	$ 200

(a) Includes amounts related to non-recourse variable rate long-term debt of VIEs of $755 million at June 30, 2012 and $466 million at December 31, 2011.

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Volumes

The following tables show information relating to the volume of Duke Energy and Duke Energy Ohio's outstanding commodity derivative activity. Amounts disclosed represent the notional volumes of commodities contracts accounted for at fair value. For option contracts, notional amounts include only the delta-equivalent volumes which represent the notional volumes times the probability of exercising the option based on current price volatility. Volumes associated with contracts qualifying for the NPNS exception have been excluded from the table below. Amounts disclosed represent the absolute value of notional amounts. Duke Energy and Duke Energy Ohio have netted contractual amounts where offsetting purchase and sale contracts exist with identical delivery locations and times of delivery. Where all commodity positions are perfectly offset, no quantities are shown below. For additional information on notional dollar amounts of debt subject to derivative contracts accounted for at fair value, see "Interest Rate Risk" section above.

Underlying Notional Amounts for Commodity Derivative Instruments Accounted for At Fair Value

	Duke Energy	**Duke Energy Ohio**
	June 30, 2012	
Commodity contracts		
Electricity-energy (Gigawatt-hours)[(a)]	**10,751**	**6,773**
Emission allowances NOX (thousands of tons)	**3**	**3**
Natural gas (millions of decatherms)	**30**	**21**
	December 31, 2011	
Commodity contracts		
Electricity-energy (Gigawatt-hours)[(a)]	14,118	14,655
Emission allowances NOX (thousands of tons)	9	9
Natural gas (millions of decatherms)	40	2

(a) Amounts at Duke Energy Ohio include intercompany positions that are eliminated at Duke Energy.

The following tables show fair value amounts of derivative contracts, and the line item(s) in the Condensed Consolidated Balance Sheets in which such amounts are included. The fair values of derivative contracts are presented on a gross basis, even when the derivative instruments are subject to master netting arrangements where Duke Energy nets the fair value of derivative contracts subject to master netting arrangements with the same counterparty on

the Condensed Consolidated Balance Sheets. Cash collateral payables and receivables associated with the derivative contracts have not been netted against the fair value amounts.

Location and Fair Value Amounts of Derivatives Reflected in the Condensed Consolidated Balance Sheets

	Duke Energy		Duke Energy Ohio	
	June 30, 2012			
(in millions)	**Asset**	**Liability**	**Asset**	**Liability**
Derivatives Designated as Hedging Instruments				
Interest rate contracts				
Current Assets: Other	$ **4**	$	$ **4**	$
Current Liabilities: Other		**14**		
Deferred Credits and Other Liabilities: Other		**99**		
Total Derivatives Designated as Hedging Instruments	**$ 4**	**$ 113**	**$ 4**	**$**
Derivatives Not Designated as Hedging Instruments				
Commodity contracts				
Current Assets: Other[(a)]	$ **192**	$ **124**	$ **184**	$ **131**
Investments and Other Assets: Other	**17**		**18**	**1**
Current Liabilities: Other	**4**	**49**	**3**	**12**
Deferred Credits and Other Liabilities: Other	**49**	**103**	**47**	**59**
Interest rate contracts				
Current Liabilities: Other		**2**		**1**
Deferred Credits and Other Liabilities: Other[(b)]		**84**		**8**
Total Derivatives Not Designated as Hedging Instruments	$ **262**	$ **362**	$ **252**	$ **212**
Total Derivatives	**$ 266**	**$ 475**	**$ 256**	**$ 212**

(a) Amount at Duke Energy includes $23 million related to commodity contracts at Duke Energy Indiana which receive regulatory accounting treatment.

(b) Amount at Duke Energy includes $76 million related to interest rate swaps at Duke Energy Indiana which receive regulatory accounting treatment.

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	Duke Energy		Duke Energy Ohio	
	December 31, 2011			
(in millions)	**Asset**	**Liability**	**Asset**	**Liability**
Derivatives Designated as Hedging Instruments				
Interest rate contracts				
Current Assets: Other	$ 4	$	$ 3	$
Investments and Other Assets: Other	2		2	
Current Liabilities: Other		11		
Deferred Credits and Other Liabilities: Other		76		
Total Derivatives Designated as Hedging Instruments	$ 6	$ 87	$ 5	$
Derivatives Not Designated as Hedging Instruments				
Commodity contracts				
Current Assets: Other	$ 81	$ 31	$ 79	$ 39
Investments and Other Assets: Other	35	17	29	18
Current Liabilities: Other	136	168	136	146
Deferred Credits and Other Liabilities: Other	25	93	22	33
Interest rate contracts				
Current Liabilities: Other		2		1
Deferred Credits and Other Liabilities: Other[(a)]		75		8
Total Derivatives Not Designated as Hedging Instruments	$ 277	$ 386	$ 266	$ 245
Total Derivatives	$ 283	$ 473	$ 271	$ 245

(a) Amounts at Duke Energy include $67 million related to interest rate swaps at Duke Energy Indiana which receive regulatory accounting treatment.

The following table shows the amount of the gains and losses recognized on derivative instruments designated and qualifying as cash flow hedges by type of derivative contract, and the Condensed Consolidated Statements of Operations line items in which such gains and losses are included for Duke Energy.

Cash Flow Hedges—Location and Amount of Pre-Tax Gains (Losses) Recognized in Comprehensive Income

	Three Months Ended June 30,	
(in millions)	**2012**	**2011**
Pre-tax Gains (Losses) Recorded in AOCI		
Interest rate contracts	**$ (44)**	$ (10)
Total Pre-tax Gains (Losses) Recorded in AOCI	**$ (44)**	$ (10)
Location of Pre-tax Gains (Losses) Reclassified from AOCI into Earnings[a]		
Interest rate contracts		
Interest expense	**$ (1)**	$ (2)
Total Pre-tax Gains (Losses) Reclassified from AOCI into Earnings	**$ (1)**	$ (2)

(a) Represents the gains and losses on cash flow hedges previously recorded in AOCI during the term of the hedging relationship and reclassified into earnings during the current period.

	Six Months Ended June 30,	
(in millions)	**2012**	**2011**
Pre-tax Gains (Losses) Recorded in AOCI		
Interest rate contracts	**$ (26)**	$ (7)
Total Pre-tax Gains (Losses) Recorded in AOCI	**$ (26)**	$ (7)
Location of Pre-tax Gains and (Losses) Reclassified from AOCI into Earnings[a]		
Interest rate contracts		
Interest expense	**$ (2)**	$ (3)
Total Pre-tax Gains (Losses) Reclassified from AOCI into Earnings	**$ (2)**	$ (3)

(a) Represents the gains and losses on cash flow hedges previously recorded in AOCI during the term of the hedging relationship and reclassified into earnings during the current period.

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There were no gains or losses on cash flow hedges recorded or reclassified at Duke Energy Ohio for the six months ended June 30, 2012 and 2011, respectively. There were no hedge ineffectiveness during the six months ended June 30, 2012 and 2011, and no gains or losses have been excluded from the assessment of hedge effectiveness during the same periods for all Duke Energy Registrants.

Duke Energy. At June 30, 2012, $129 million of pre-tax deferred net losses on derivative instruments related to interest rate cash flow hedges remains in AOCI and a $10 million pre-tax loss is expected to be recognized in earnings during the next 12 months as the hedged transactions occur.

Duke Energy Ohio. At June 30, 2012, there were no pre-tax deferred net gains or losses on derivative instruments related to cash flow hedges remaining in AOCI.

The following tables show the amount of the pre-tax gains and losses recognized on undesignated contracts by type of derivative instrument, and the line item(s) in the Condensed Consolidated Statements of Comprehensive Income in which such gains and losses are included or deferred on the Condensed Consolidated Balance Sheets as regulatory assets or liabilities.

Undesignated Contracts—Location and Amount of Pre-Tax Gains and (Losses) Recognized in Income or as Regulatory Assets or Liabilities

	Duke Energy		Duke Energy Ohio	
	Three Months Ended June 30,			
(in millions)	**2012**	**2011**	**2012**	**2011**
Location of Pre-tax Gains and (Losses) Recognized in Earnings				
Commodity contracts				
Revenue, non-regulated electric, natural gas and other		(12)	**4**	(16)
Interest rate contracts				
Interest expense			**(1)**	(1)
Total Pre-tax (Losses) Gains Recognized in Earnings[(a)]	**$**	$ (12)	**$ 3**	$ (17)
Location of Pre-tax Gains and (Losses) Recognized as Regulatory Assets or Liabilities				
Commodity contracts				

Regulatory Asset	$ **1**	$ (1)	$	$
Regulatory Liability	**17**	11		(1)
Interest rate contracts				
Regulatory Asset	**(32)**	(21)	**(1)**	
Total Pre-tax Gains (Losses) Recognized as Regulatory Assets or Liabilities	**$ (14)**	$ (11)	**$ (1)**	$ (1)

(a) Amounts include Duke Energy Ohio intercompany positions that are eliminated at Duke Energy.

	Duke Energy		Duke Energy Ohio	
	Six Months Ended June 30,			
(in millions)	**2012**	**2011**	**2012**	**2011**
Location of Pre-tax Gains and (Losses) Recognized in Earnings				
Commodity contracts				
Revenue, non-regulated electric, natural gas and other	**36**	(25)	**75**	(22)
Fuel used in electric generation and purchased power - non-regulated		(1)		(1)
Interest rate contracts				
Interest expense			**(1)**	(1)
Total Pre-tax (Losses) Gains Recognized in Earnings[(a)]	**$ 36**	$ (26)	**$ 74**	$ (24)
Location of Pre-tax Gains and (Losses) Recognized as Regulatory Assets or Liabilities				
Commodity contracts				
Regulatory Asset	$	$ (1)	$ **(2)**	$ (1)
Regulatory Liability	**22**	10	**1**	
Interest rate contracts				
Regulatory Asset	**(10)**	(9)		
Total Pre-tax Gains (Losses) Recognized as Regulatory Assets of Liabilities	**$ 12**	$	**$ (1)**	$ (1)

(a) Amounts include Duke Energy Ohio intercompany positions that are eliminated at Duke Energy.

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Credit Risk

Certain of Duke Energy and Duke Energy Ohio's derivative contracts contain contingent credit features, such as material adverse change clauses or payment acceleration clauses that could result in immediate payments, the posting of letters of credit or the termination of the derivative contract before maturity if specific events occur, such as a downgrade of Duke Energy or Duke Energy Ohio's credit rating below investment grade.

The following table shows information with respect to derivative contracts that are in a net liability position and contain objective credit-risk related payment provisions. The amounts disclosed in the table below represent the aggregate fair value amounts of such derivative instruments at the end of the reporting period, the aggregate fair value of assets that are already posted as collateral under such derivative instruments at the end of the reporting period, and the aggregate fair value of additional assets that would be required to be transferred in the event that credit-risk-related contingent features were triggered.

Information Regarding Derivative Instruments that Contain Credit-risk Related Contingent Features

	Duke Energy	Duke Energy Ohio
(in millions)	**June 30, 2012**	
Aggregate Fair Value Amounts of Derivative Instruments in a Net Liability Position	**$ 193**	**$ 189**
Collateral Already Posted	**$ 67**	**$ 44**
Additional Cash Collateral or Letters of Credit in the Event Credit-risk-related Contingent Features were Triggered at the End of the Reporting Period	**$ 6**	**$ 4**
(in millions)	**December 31, 2011**	
Aggregate Fair Value Amounts of Derivative Instruments in a Net Liability Position	$ 96	$ 94
Collateral Already Posted	**$** 36	$ 35
Additional Cash Collateral or Letters of Credit in the Event Credit-risk-related Contingent Features were Triggered at the End of the Reporting Period	$ 5	$ 5

Netting of Cash Collateral and Derivative Assets and Liabilities Under Master Netting Arrangements. In accordance with applicable accounting rules, Duke Energy and Duke Energy Ohio have

elected to offset fair value amounts (or amounts that approximate fair value) recognized on their Condensed Consolidated Balance Sheets related to cash collateral amounts receivable or payable against fair value amounts recognized for derivative instruments executed with the same counterparty under the same master netting agreement. The amounts disclosed in the table below represent the receivables related to the right to reclaim cash collateral and payables related to the obligation to return cash collateral under master netting arrangements. See Note 9 for additional information on fair value disclosures related to derivatives.

Information Regarding Cash Collateral under Master Netting Arrangements

	Duke Energy		Duke Energy Ohio	
	June 30, 2012			
(in millions)	**Receivables**	**Payable**	**Receivables**	**Payable**
Amounts offset against net derivative positions	**$**	**$ 1**	$	**$**
Amounts not offset against net derivative positions	**$ 73**	**$**	$ 49	**$**

	December 31, 2011			
(in millions)	**Receivables**	**Payable**	**Receivables**	**Payable**
Amounts offset against net derivative positions	$ 10	$	$ 9	$
Amounts not offset against net derivative positions	$ 30	$	$ 28	$

9. Fair Value of Financial Assets and Liabilities

Under existing accounting guidance, fair value is considered to be the exchange price in an orderly transaction between market participants to sell an asset or transfer a liability at the measurement date. The fair value definition focuses on an exit price, which is the price that would be received to sell an asset or paid to transfer a liability versus an entry price, which would be the price paid to acquire an asset or received to assume a liability.

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The Duke Energy Registrants classify recurring and non-recurring fair value measurements based on the following fair value hierarchy, as prescribed by the accounting guidance for fair value, which prioritizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1—unadjusted quoted prices in active markets for identical assets or liabilities that Duke Energy has the ability to access. An active market for the asset or liability is one in which transactions for the asset or liability occur with sufficient frequency and volume to provide ongoing pricing information. Duke Energy does not adjust quoted market prices on Level 1 for any blockage factor.

Level 2—a fair value measurement utilizing inputs other than a quoted market price that are observable, either directly or indirectly, for the asset or liability. Level 2 inputs include, but are not limited to, quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs other than quoted market prices that are observable for the asset or liability, such as interest rate curves and yield curves observable at commonly quoted intervals, volatilities, credit risk and default rates. A Level 2 measurement cannot have more than an insignificant portion of the valuation based on unobservable inputs.

Level 3—any fair value measurements which include unobservable inputs for the asset or liability for more than an insignificant portion of the valuation. A level 3 measurement may be based primarily on Level 2 inputs.

The fair value accounting guidance for financial instruments permits entities to elect to measure many financial instruments and certain other items at fair value that are not required to be accounted for at fair value under other GAAP. There are no financial assets or financial liabilities that are not required to be accounted for at fair value under GAAP for which the option to record at fair value has been elected by the Duke Energy Registrants. However, in the future, the Duke Energy Registrants may elect to measure certain financial instruments at fair value in accordance with this accounting guidance.

The Duke Energy Registrant’s Policy for the recognition of transfers between levels of the fair value hierarchy is to recognize the transfer at the end of the period.

Valuation methods of the primary fair value measurements disclosed below are as follows:

Investments in equity securities. Investments in equity securities, other than those accounted for as equity and cost method investments, are typically valued at the closing price in the principal active market as of the last business day of the quarter. Principal active markets for equity prices include published exchanges such as NASDAQ and NYSE. Foreign equity prices are translated from their trading currency using the currency exchange rate in effect at the close of the principal active market. Prices have not been adjusted to reflect for after-hours market activity. The majority of investments in equity securities are valued using Level 1 measurements.

Investments in available-for-sale auction rate securities. Duke Energy holds auction rate securities for which an active market does not currently exist. During the three and six months ended June 30, 2012, $39 million of these investments in auction rate securities were redeemed at full par value plus accrued interest. Auction rate securities held are student loan securities for which approximately 90% is ultimately backed by the U.S. government. Approximately 25% of these securities are AAA rated. As of June 30, 2012 and December 31, 2011 all of these auction rate securities are classified as long-term investments and are valued using Level 3 measurements. The methods and significant assumptions used to determine the fair values of the investment in auction rate debt securities represent estimations of fair value using internal discounted cash flow models which incorporate primarily management's own assumptions as to the term over which such investments will be recovered at par (ranging from zero to 17 years), the current level of interest rates (less than 0.5%), and the appropriate risk-adjusted discount rates (up to 5.3% reflecting a tenor of up to 17 years). In preparing the valuations, all significant value drivers were considered, including the underlying collateral (primarily evaluated on the basis of credit ratings, parity ratios and the percentage of loans backed by the U.S. government). Auction rate securities which are classified as Short-term investments are valued using Level 2 measurements, as they are valued at par based on a commitment by the issuer to redeem at par value. There were no auction rate securities classified as Short-term investments as of June 30, 2012 or December 31, 2011.

There were no other-than-temporary impairments associated with investments in auction rate debt securities during the three months ended and six months ended June 30, 2012 or 2011.

Investments in debt securities. Most debt investments (including those held in the Nuclear Decommissioning Trust Funds (NDTF)) are valued based on a calculation using interest rate curves and credit spreads applied to the terms of the debt instrument (maturity and coupon interest rate) and consider the counterparty credit rating. Most debt valuations are Level 2 measurements. If the market for a particular fixed income security is relatively inactive or illiquid, the measurement is a Level 3 measurement. U.S. Treasury debt is typically a Level 1 measurement. For certain investments that are valued on a net asset value per share (or its equivalent), or the net asset value basis, when Duke Energy does not have the ability to redeem the investment in the near term at net asset value per share (or its equivalent), or the net asset value is not available as of the measurement date, the fair value measurement of the investment is categorized as Level 3.

Commodity derivatives. The pricing for commodity derivatives is primarily a calculated value which incorporates the forward price and is adjusted for liquidity (bid-ask spread), credit or non-performance risk (after reflecting credit enhancements such as collateral) and discounted to present value. The primary difference between a Level 2 and a Level 3 measurement has to do with the level of activity in forward markets for the commodity. If the market is relatively inactive, the measurement is deemed to be a Level 3 measurement. Commodity derivatives with clearinghouses are classified as Level 1 measurements.

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Duke Energy

The following tables provide the fair value measurement amounts for assets and liabilities recorded on Duke Energy's Condensed Consolidated Balance Sheets. Derivative amounts in the table below exclude cash collateral amounts which are disclosed in Note 8. See Note 10 for additional information related to investments by major security type.

(in millions)	Total Fair Value Amounts at June 30, 2012	Level 1	Level 2	Level 3
Investments in available-for-sale auction rate securities[a]	$ 41	$	$	$ 41
Nuclear decommissioning trust fund equity securities	1,470	1,406	46	18
Nuclear decommissioning trust fund debt securities	734	78	610	46
Other long-term trading and available-for-sale equity securities[b]	74	66	8	
Other trading and available-for-sale debt securities[c]	481	28	453	
Derivative assets[b]	89	16	9	64
Total Assets	2,889	1,594	1,126	169
Derivative liabilities[d]	(298)	(12)	(203)	(83)
Net Assets	$ 2,591	$ 1,582	$ 923	$ 86

(in millions)	Total Fair Value Amounts at December 31, 2011	Level 1	Level 2	Level 3
Investments in available-for-sale auction rate securities[a]	$ 71	$	$	$ 71
Nuclear decommissioning trust fund equity securities	1,337	1,285	46	6
Nuclear decommissioning trust fund debt securities	723	109	567	47
Other long-term trading and available-for-sale equity securities[b]	68	61	7	
	382	22	360	

Other trading and available-for-sale debt securities[c]				
Derivative assets[b]	74	43	6	25
Total Assets	2,655	1,520	986	149
Derivative liabilities[d]	(264)	(36)	(164)	(64)
Net Assets	$ 2,391	$ 1,484	$ 822	$ 85

(a) Included in Other within Investments and Other Assets on the Condensed Consolidated Balance Sheets.

(b) Included in Other within Current Assets and Other within Investments and Other Assets on the Condensed Consolidated Balance Sheet.

(c) Included in Other within Investments and Other Assets and Short-term Investments on the Condensed Consolidated Balance Sheets.

(d) Included in Other within Current Liabilities and Other within Deferred Credits and Other Liabilities on the Condensed Consolidated Balance Sheets.

The following tables provide a reconciliation of beginning and ending balances of assets and liabilities measured at fair value on a recurring basis where the determination of fair value includes significant unobservable inputs (Level 3):

(in millions)	**Available-for-Sale Auction Rate Securities**	**Available-for-Sale NDTF Investments**	**Derivatives (net)**	**Total**
Three Months Ended June 30, 2012				
Balance at March 31, 2012	**$ 72**	**$ 56**	**$ (42)**	**$ 86**
Total pre-tax realized or unrealized losses included in earnings:				
Regulated electric Revenue, non-regulated electric, natural gas, and other			**17**	**17**
			(1)	**(1)**
Total pre-tax gains included in other comprehensive income:				
Gains on available for sale securities and other	**8**			**8**
Purchases, sales, issuances and settlements:				
Purchases		**7**	**22**	**29**
Settlements	**(39)**		**(15)**	**(54)**
Total gains included on the Condensed Consolidated Balance Sheet as regulatory asset or liability		**1**		**1**
Balance at June 30, 2012	**$ 41**	**$ 64**	**$ (19)**	**$ 86**
Three Months Ended June 30, 2011				
Balance at March 31, 2011	$ 122	$ 48	$ (24)	$ 146
Total pre-tax realized or unrealized gains (losses) included in earnings:				
Revenue, non-regulated electric, natural gas, and			(11)	(11)

other				
Total pre-tax losses included in other comprehensive income:				
Losses on available for sale securities and other	(1)			(1)
Purchases, sales, issuances and settlements:				
Purchases		6		6
Sales		(1)		(1)
Settlements	(22)		(6)	(28)
Total gains included on the Condensed Consolidated Balance Sheet as regulatory asset or liability			19	19
Transfers out of Level 3	(9)			(9)
Balance at June 30, 2011	$ 90	$ 53	$ (22)	$ 121

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(in millions)	Available-for-Sale Auction Rate Securities	Available-for-Sale NDTF Investments	Derivatives (net)	Total
Six Months Ended June 30, 2012				
Balance at December 31, 2011	$ **71**	$ **53**	$ **(39)**	$ **85**
Total pre-tax realized or unrealized losses included in earnings:				
Regulated electric			**25**	**25**
Revenue, non-regulated electric, natural gas, and other			**(3)**	**(3)**
Total pre-tax gains included in other comprehensive income:				
Gains on available for sale securities and other	**9**			**9**
Purchases, sales, issuances and settlements:				
Purchases		**9**	**22**	**31**
Settlements	**(39)**		**(24)**	**(63)**
Total gains included on the Condensed Consolidated Balance Sheet as regulatory asset or liability		**2**		**2**
Balance at June 30, 2012	$ **41**	$ **64**	$ **(19)**	$ **86**
Pre-tax amounts included in the Condensed Consolidated Statements of Comprehensive Income related to Level 3 measurements outstanding at June 30, 2012				
Revenue, non-regulated electric, natural gas, and other			**3**	**3**
Total	$	$	$ **3**	$ **3**
Six Months Ended June 30, 2011				
Balance at December 31, 2010	$ 118	$ 47	$ (19)	$ 146
Total pre-tax realized or unrealized gains (losses) included in earnings:				
Revenue, non-regulated electric, natural gas, and other			(19)	(19)
Total pre-tax gains included in other comprehensive income:				
Gains on available for sale securities and other	5			5

Purchases, sales, issuances and settlements:				
Purchases		7		7
Sales		(3)		(3)
Settlements	(24)		(3)	(27)
Total gains included on the Condensed Consolidated Balance Sheet as regulatory asset or liability		2	19	21
Transfers out of Level 3	(9)			(9)
Balance at June 30, 2011	$ 90	$ 53	$ (22)	$ 121
Pre-tax amounts included in the Condensed Consolidated Statements of Comprehensive Income related to Level 3 measurements outstanding at June 30, 2012				
Revenue, non-regulated electric, natural gas, and other			(10)	(10)
Total	$	$	$ (10)	$ (10)

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Duke Energy Carolinas

The following tables provide the fair value measurement amounts for assets and liabilities recorded on Duke Energy Carolinas' Condensed Consolidated Balance Sheets at fair value. Derivative amounts in the table below exclude cash collateral amounts which are disclosed in Note 8. See Note 10 for additional information related to investments by major security type.

(in millions)	**Total Fair Value Amounts at June 30, 2012**	**Level 1**	**Level 2**	**Level 3**
Investments in available-for-sale auction rate securities[a]	**$ 6**	**$**	**$**	**$ 6**
Nuclear decommissioning trust fund equity securities	**1,470**	**1,406**	**46**	**18**
Nuclear decommissioning trust fund debt securities	**734**	**78**	**610**	**46**
Derivative assets[b]	**1**		**1**	
Total Assets	**$ 2,211**	**$ 1,484**	**$ 657**	**$ 70**

(in millions)	**Total Fair Value Amounts at December 31, 2011**	**Level 1**	**Level 2**	**Level 3**
Investments in available-for-sale auction rate securities[a]	$ 12	$	$	$ 12
Nuclear decommissioning trust fund equity securities	1,337	1,285	46	6
Nuclear decommissioning trust fund debt securities	723	109	567	47
Derivative assets[b]	1		1	
Total Assets	$ 2,073	$ 1,394	$ 614	$ 65

(a) Included in Other within Investments and Other Assets on the Condensed Consolidated Balance Sheets.

(b) Included in Other within Current Assets and Other within Investments and Other Assets on the Condensed Consolidated Balance Sheets.

The following tables provide a reconciliation of beginning and ending balances of assets and liabilities measured at fair value on a recurring basis where the determination of fair value includes significant unobservable inputs (Level 3):

(in millions)	Available-for-Sale Auction Rate Securities	Available-for-Sale NDTF Investments	Total
Three Months Ended June 30, 2012			
Balance at March 31, 2012	$ **12**	**$ 56**	**$ 68**
Total pre-tax gains included in other comprehensive income:			
Gains on available for sale securities and other	**2**		**2**
Purchases, sales, issuances and settlements:			
Purchases		**7**	**7**
Settlements	**(8)**		**(8)**
Total gains included on the Condensed Consolidated Balance Sheet as regulatory asset or liability		**1**	**1**
Balance at June 30, 2012	**6**	**$ 64**	**$ 70**
Three Months Ended June 30, 2011			
Balance at March 31, 2011	$ 12	$ 48	$ 60
Purchases, sales, issuances and settlements:			
Purchases		6	6
Sales		(1)	(1)
Balance at June 30, 2011	$ 12	$ 53	$ 65

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	Available-for-Sale Auction Rate Securities	Available-for-Sale NDTF Investments	Total
Six Months Ended June 30, 2012			
Balance at December 31, 2011	$ **12**	$ **53**	$ **65**
Total pre-tax gains included in other comprehensive income:			
Gains on available for sale securities and other	**2**		**2**
Purchases, sales, issuances and settlements:			
Purchases		**9**	**9**
Settlements	**(8)**		**(8)**
Total gains included on the Condensed Consolidated Balance Sheet as regulatory asset or liability		**2**	**2**
Balance at June 30, 2012	$ **6**	$ **64**	$ **70**
Six Months Ended June 30, 2011			
Balance at December 31, 2010	$ 12	$ 47	$ 59
Purchases, sales, issuances and settlements:			
Purchases		7	7
Sales		(3)	(3)
Total gains included on the Condensed Consolidated Balance Sheet as regulatory asset or liability		2	2
Balance at June 30, 2011	$ 12	$ 53	$ 65

Duke Energy Ohio

The following tables provide the fair value measurement amounts for assets and liabilities recorded on Duke Energy Ohio's Condensed Consolidated Balance Sheets. Derivative amounts in the table below exclude cash collateral amounts which are disclosed in Note 8.

(in millions)	**Total Fair Value Amounts at June 30, 2012**	**Level 1**	**Level 2**	**Level 3**
Derivative assets[(a)]	$ **74**	$ **62**	$ **4**	$ **8**
Derivative liabilities[(b)]	**(30)**	**(11)**	**(9)**	**(10)**
Net Assets (Liabilities)	$ **44**	$ **51**	$ **(5)**	$ **(2)**

(in millions)	Total Fair Value Amounts at December 31, 2011	Level 1	Level 2	Level 3
Derivative assets[a]	$ 56	$ 42	$ 5	$ 9
Derivative liabilities[b]	(30)	(10)	(8)	(12)
Net Assets (Liabilities)	$ 26	$ 32	$ (3)	$ (3)

(a) Included in Other within Current Assets and Other within Investments and Other Assets on the Condensed Consolidated Balance Sheets.

(b) Included in Other within Current Liabilities and Other within Deferred Credits and Other Liabilities on the Condensed Consolidated Balance Sheets.

The following tables provide a reconciliation of beginning and ending balances of assets and liabilities measured at fair value on a recurring basis where the determination of fair value includes significant unobservable inputs (Level 3):

(in millions)	Derivatives (net)
Three Months Ended June 30, 2012	
Balance at March 31, 2012	**$ (4)**
Total pre-tax realized or unrealized gains (losses) included in earnings:	
Revenue, non-regulated electric, natural gas, and other	**1**
Purchases, sales, issuances and settlements:	
Settlements	**2**
Total gains included on the Condensed Consolidated Balance Sheet as regulatory asset or liability	**(1)**
Balance at June 30, 2012	**$ (2)**
Three Months Ended June 30, 2011	
Balance at March 31, 2011	$ 17
Total pre-tax realized or unrealized gains (losses) included in earnings:	
Revenue, non-regulated electric, natural gas, and other	(10)
Balance at June 30, 2011	$ 7

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(in millions)	**Derivatives (net)**
Six Months Ended June 30, 2012	
Balance at December 31, 2011	**$ (3)**
Total pre-tax realized or unrealized gains (losses) included in earnings:	
Revenue, non-regulated electric, natural gas, and other	**1**
Purchases, sales, issuances and settlements:	
Settlements	**2**
Total gains included on the Condensed Consolidated Balance Sheet as regulatory asset or liability	**(2)**
Balance at June 30, 2012	**$ (2)**
Pre-tax amounts included in the Condensed Consolidated Statements of Comprehensive Income related to Level 3 measurements outstanding at June 30, 2012:	
Revenue, non-regulated electric and other	**$ 1**
Total	**$ 1**
Six Months Ended June 30, 2011	
Balance at December 31, 2010	$ 13
Total pre-tax realized or unrealized gains (losses) included in earnings:	
Revenue, non-regulated electric, natural gas, and other	(6)
Purchases, sales, issuances and settlements:	
Settlements	(1)
Total gains included on the Condensed Consolidated Balance Sheet as regulatory asset or liability	1
Balance at June 30, 2011	$ 7
Pre-tax amounts included in the Condensed Consolidated Statements of Comprehensive Income related to Level 3 measurements outstanding at June 30, 2011:	
Revenue, non-regulated electric and other	$ 1
Total	$ 1

Duke Energy Indiana

The following tables provide the fair value measurement amounts for assets and liabilities recorded on Duke Energy Indiana’s
Condensed Consolidated Balance Sheets. Derivative amounts in the table below exclude cash collateral amounts which are disclosed in Note 8. See Note 10 for additional information related to investments by major security type.

(in millions)	Total Fair Value Amounts at June 30, 2012	Level 1	Level 2	Level 3
Available-for-sale equity securities[a]	**$ 46**	**$ 46**	**$**	**$**
Available-for-sale debt securities[a]	**29**		**29**	
Derivative assets[b]	**23**	**1**		**22**
Total Assets	**98**	**47**	**29**	**$ 22**
Derivative liabilities[c]	**(76)**		**(76)**	
Net Assets (Liabilities)	**$ 22**	**$ 47**	**$ (47)**	**$ 22**

(in millions)	Total Fair Value Amounts at December 31, 2011	Level 1	Level 2	Level 3
Available-for-sale equity securities[a]	$ 46	$ 46	$	$
Available-for-sale debt securities[a]	28		28	
Derivative assets[b]	4			4
Total Assets	78	46	28	$ 4
Derivative liabilities[c]	(69)	(1)	(68)	
Net Assets (Liabilities)	$ 9	$ 45	$ (40)	$ 4

(a) Included in Other within Investments and Other Assets on the Condensed Consolidated Balance Sheets.

(b) Included in Other within Current Assets on the Condensed Consolidated Balance Sheets.

(c) Included in Other within Current Liabilities and Other within Deferred Credits and Other Liabilities on the Condensed Consolidated Balance Sheets.

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The following tables provide a reconciliation of beginning and ending balances of assets and liabilities measured at fair value on a recurring basis where the determination of fair value includes significant unobservable inputs (Level 3):

(in millions)	**Derivatives (net)**
Three Months Ended June 30, 2012	
Balance at March 31, 2012	**$ 3**
Total pre-tax realized or unrealized gains (losses) included in earnings:	
Regulated electric	**16**
Purchases, sales, issuances and settlements:	
Sales	**22**
Settlements	**(19)**
Balance at June 30, 2012	**$ 22**
Three Months Ended June 30, 2011	
Balance at March 31, 2011	$ 1
Purchases, sales, issuances and settlements:	
Settlements	(10)
Total gains included on the Condensed Consolidated Balance Sheet as regulatory asset or liability	19
Balance at June 30, 2011	$ 10

(in millions)	**Derivatives (net)**
Six Months Ended June 30, 2012	
Balance at December 31, 2011	**$ 4**
Total pre-tax realized or unrealized gains (losses) included in earnings:	
Regulated electric	**24**
Purchases, sales, issuances and settlements:	
Sales	**22**
Settlements	**(29)**
Total gains included on the Condensed Consolidated Balance Sheet as regulatory asset or liability	**1**
Balance at June 30, 2012	**$ 22**
Six Months Ended June 30, 2011	
Balance at December 31, 2010	$ 4
Purchases, sales, issuances and settlements:	
Settlements	(12)

Total gains included on the Condensed Consolidated Balance Sheet as regulatory asset or liability	18
Balance at June 30, 2011	$ 10

Additional Fair Value Disclosures—Long-term debt, including current maturities:

The fair value of long-term debt is summarized in the following table. Judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates determined are not necessarily indicative of the amounts the Duke Energy Registrants could have settled in current markets. The fair value of the long-term debt is determined using Level 2 measurements.

	As of June 30, 2012		**As of December 31, 2011**	
(in millions)	**Book Value**	**Fair Value**	**Book Value**	**Fair Value**
Duke Energy [(a)]	**$ 20,324**	**$ 23,028**	$ 20,573	$ 23,053
Duke Energy Carolinas[(b)]	**$ 8,522**	**$ 9,996**	$ 9,274	$ 10,629
Duke Energy Ohio	**$ 2,551**	**$ 2,684**	$ 2,555	$ 2,688
Duke Energy Indiana	**$ 3,707**	**$ 4,346**	$ 3,459	$ 4,048

(a) Includes book value of Non-recourse long-term debt of variable interest entities of $915 million and $949 million June 30, 2012 and December 31, 2011, respectively.

(b) Includes book value of Non-recourse long-term debt of variable interest entities of $300 million at both June 30, 2012 and December 31, 2011, respectively.

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At both June 30, 2012 and December 31, 2011, the fair value of cash and cash equivalents, accounts and notes receivable, accounts payable, notes payable and commercial paper and non-recourse notes payable of variable interest entities are not materially different from their carrying amounts because of the short-term nature of these instruments and/or because the stated rates approximate market rates.

10. Investments in Debt and Equity Securities

The Duke Energy Registrants classify their investments in debt and equity securities into two categories – trading and available-for-sale.

Trading Securities. Investments in debt and equity securities held in grantor trusts associated with certain deferred compensation plans and certain other investments are classified as trading securities and are reported at fair value in the Condensed Consolidated Balance Sheets with net realized and unrealized gains and losses included in earnings each period. At June 30, 2012 and December 31, 2011, the fair value of these investments was $31 million and $32 million, respectively.

Available for Sale Securities. All other investments in debt and equity securities are classified as available-for-sale securities, which are also reported at fair value on the Condensed Consolidated Balance Sheets with unrealized gains and losses excluded from earnings and reported either as a regulatory asset or liability, as discussed further below, or as a component of other comprehensive income until realized.

Duke Energy's available-for-sale securities are primarily comprised of investments held in the NDTF at Duke Energy Carolinas, investments in a grantor trust at Duke Energy Indiana related to other post-retirement benefit plans as required by the IURC, Duke Energy captive insurance investment portfolio, Duke Energy's foreign operations investment portfolio and investments of Duke Energy and Duke Energy Carolinas in auction rate debt securities.

The investments within the Duke Energy Carolinas NDTF and the Duke Energy Indiana grantor trust are managed by independent investment managers with discretion to buy, sell and invest pursuant to the objectives set forth by the trust agreements. Therefore, Duke Energy Carolinas and Duke Energy Indiana have limited oversight of the day-to-day management of these investments. Since day-to-day investment decisions, including buy and sell decisions, are made by the investment manager, the ability to hold investments in unrealized loss positions is outside the control of Duke Energy Carolinas and Duke Energy Indiana. Accordingly, all unrealized gains and losses associated with equity securities within the Duke Energy Carolinas NDTF and the Duke Energy Indiana grantor trust are considered other-than-temporary and are recognized immediately when the fair value of individual investments is less than the cost basis of the investment. Pursuant to regulatory accounting, substantially all unrealized losses associated with investments in debt and equity securities within the Duke Energy Carolinas NDTF and the Duke Energy

Indiana grantor trust are deferred as a regulatory asset or liability. As a result there is no immediate impact on the earnings of Duke Energy Carolinas and Duke Energy Indiana.

For investments in debt and equity securities held in the captive insurance investment portfolio, Duke Energy's foreign operations investment portfolio and investments in auction rate debt securities, unrealized gains and losses are included in other comprehensive income until realized, unless it is determined that the carrying value of an investment is other-than-temporarily impaired. If so, the write-down to fair value may be included in earnings based on the criteria discussed below.

For available-for-sale securities outside of the Duke Energy Carolinas NDTF and the Duke Energy Indiana grantor trust, which are discussed separately above, Duke Energy analyzes all investment holdings each reporting period to determine whether a decline in fair value should be considered other-than-temporary. Criteria used to evaluate whether an impairment associated with equity securities is other-than-temporary includes, but is not limited to, the length of time over which the market value has been lower than the cost basis of the investment, the percentage decline compared to the cost of the investment and management's intent and ability to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in market value. If a decline in fair value is determined to be other-than-temporary, the investment is written down to its fair value through a charge to earnings.

With respect to investments in debt securities, under the accounting guidance for other-than-temporary impairment, if the entity does not have an intent to sell the security and it is not more likely than not that management will be required to sell the debt security before the recovery of its cost basis, the impairment write-down to fair value would be recorded as a component of other comprehensive income, except for when it is determined that a credit loss exists. In determining whether a credit loss exists, management considers, among other things, the length of time and the extent to which the fair value has been less than the amortized cost basis, changes in the financial condition of the issuer of the security, or in the case of an asset backed security, the financial condition of the underlying loan obligors, consideration of underlying collateral and guarantees of amounts by government entities, ability of the issuer of the security to make scheduled interest or principal payments and any changes to the rating of the security by rating agencies. If it is determined that a credit loss exists, the amount of impairment write-down to fair value would be split between the credit loss, which would be recognized in earnings, and the amount attributable to all other factors, which would be recognized in other comprehensive income. Management believes, based on consideration of the criteria above, that no credit loss exists as of June 30, 2012 and December 31, 2011. Management does not have the intent to sell such investments in auction rate debt securities and the investments in debt securities within its captive insurance investment portfolio and foreign operations investment portfolio, and it is not more likely than not that management will be required to sell these securities before the anticipated recovery of their cost basis. Management has concluded that there were no other-than-temporary impairments for debt or equity securities necessary as of June 30, 2012 and December 31, 2011. Accordingly, all changes in the market value of investments other than the Duke Energy Carolinas NDTF and the Duke Energy Indiana Grantor Trust were reflected as a component of other comprehensive income in 2012 and 2011.

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See Note 9 for additional information related to fair value measurements for investments in auction rate debt securities.

Short-term and Long-term investments. Investments in debt and equity securities are classified as either short-term investments or long-term investments based on management's intent and ability to sell these securities, taking into consideration illiquidity factors in the current markets.

Duke Energy holds corporate debt securities which were purchased using excess cash from its foreign operations. These investments are classified as Short-term Investments on the balance sheet and are available for current operations of Duke Energy's foreign business. Duke Energy held short-term investments with a fair value of $234 million as of June 30, 2012 and $190 million as of December 31, 2011.

Duke Energy classifies its investments in debt and equity securities held in the Duke Energy Carolinas NDTF (see Note 9 for further information), the Duke Energy Indiana grantor trust and the captive insurance investment portfolio as long-term. Additionally, Duke Energy has classified $41 million carrying value ($50 million par value) and $71 million carrying value ($89 million par value) of investments in auction rate debt securities as long-term at June 30, 2012 and December 31, 2011, respectively, due to market illiquidity factors as a result of continued failed auctions. All of these investments are classified as available-for-sale and, therefore, are reflected on the Condensed Consolidated Balance Sheets at estimated fair value based on either quoted market prices or management's best estimate of fair value based on expected future cash flow using appropriate risk-adjusted discount rates. Since management does not intend to use these investments in current operations, these investments are classified as long-term.

The estimated fair values of short-term and long-term investments for Duke Energy, Duke Energy Carolinas and Duke Energy Indiana are as follows (in millions):

	June 30, 2012			**December 31, 2011**		
(in millions)	**Gross Unrealized Holding Gains**	**Gross Unrealized Holding Losses**	**Estimated Fair Value**	**Gross Unrealized Holding Gains**	**Gross Unrealized Holding Losses**	**Estimated Fair Value**
Duke Energy Carolinas NDTF						
Equity Securities	**$ 522**	**$ 17**	**$ 1,470**	$ 443	$ 16	$ 1,337
Corporate Debt Securities	**10**	**2**	**221**	8	2	205
Municipal Bonds	**2**		**73**	2		51
	12		**277**	16		306

U.S. Government Bonds								
Other	**4**	**1**	**163**	4	4	161		
Total Duke Energy Carolinas NDTF[a]	**$ 550**	**$ 20**	**$ 2,204**	$ 473	$ 22	$ 2,060		
Duke Energy Indiana Grantor Trust								
Equity Securities	**$ 7**	**$ 1**	**$ 46**	$ 5	$ 1	$ 46		
Municipal Bonds	**1**		**28**	1		28		
Total Duke Energy Indiana Grantor Trust[a]	**$ 8**	**$ 1**	**$ 74**	$ 6	$ 1	$ 74		
Other Investments								
Equity Securities	**$ 1**	**$ 1**	**$ 20**	$	$ 1	$ 14		
Corporate Debt Securities	**2**		**295**	1	1	241		
Municipal Bonds			**1**					
U.S. Government Bonds			**28**	1		21		
Other	**1**		**107**	2		68		
Auction Rate Securities[b]		**9**	**41**		17	71		
Total Other Investments	**$ 4**	**$ 10**	**$ 492**	$ 4	$ 19	$ 415		
Total Duke Energy Investments	**$ 562**	**$ 31**	**$ 2,770**	$ 483	$ 42	$ 2,549		

(a) Unrealized losses on investments within the Duke Energy Carolinas NDTF and Duke Energy Indiana grantor trust are deferred as regulatory assets pursuant to regulatory accounting treatment.

(b) At June 30, 2012 and December 31, 2011, $6 million and $12 million of these securities were held by Duke Energy Carolinas, respectively. Gross unrealized holding gains on these securities held by Duke Energy Carolinas were insignificant at both June 30, 2012 and December 31, 2011. Gross unrealized holding losses on these securities held by Duke Energy Carolinas were $1 million at June 30, 2012 and $3 million at December 31, 2011.

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The table below summarizes the maturity date for debt securities held by Duke Energy, Duke Energy Carolinas, and Duke Energy Indiana.

(in millions)	< 1 Year	1-5 Years	6-10 Years	Thereafter
Duke Energy[(a)]	$ 164	$ 345	$ 212	$ 471
Duke Energy Carolinas[(a)]	$ 45	$ 146	$ 174	$ 369
Duke Energy Indiana	$	$ 21	$ 5	$ 2

(a) Excludes auction rate securities based on the stated maturity date. See Note 9 for information about fair value measurements related to investments in auction rate debt securities.

The fair values and gross unrealized losses of available-for-sale debt and equity securities which are in an unrealized loss position for which other-than-temporary impairment losses have not been recorded, summarized by investment type and length of time that the securities have been in a continuous loss position, are presented in the table below for Duke Energy, Duke Energy Carolinas, and Duke Energy Indiana.

	June 30, 2012			December 31, 2011		
(in millions)	Fair Value	Unrealized Loss Position >12 months	Unrealized Loss Position <12 months	Fair Value	Unrealized Loss Position >12 months	Unrealized Loss Position <12 months
Duke Energy Carolinas NDTF						
Equity Securities	**$ 117**	**$ 7**	**$ 11**	$ 111	$ 4	$ 12
Corporate Debt Securities	**29**		**1**	57	1	1
Municipal Bonds	**21**					
U.S. Government Bonds	**27**			8		
Other	**78**		**1**	113	1	3
Total Duke Energy Carolinas NDTF[(a)]	**$ 272**	**$ 7**	**$ 13**	$ 289	$ 6	$ 16
Duke Energy Indiana Grantor Trust						
Equity Securities	**$ 8**	**$**	**$ 1**	$ 8	$	$ 1
Municipal Bonds	**10**			3		

Total Duke Energy Indiana Grantor Trust[a]	**$**	**18**	**$**		**$**	**1**	$	11	$		$	1
Other Investments												
Equity Securities	**$**	**6**	**$**	**1**	**$**		$	4	$	1	$	
Corporate Debt Securities		**243**						201		1		
Municipal Bonds		**1**										
U.S. Government Bonds		**12**										
Other		**11**						8				
Auction Rate Securities[b]		**41**		**9**				71		17		
Total Other Investments	**$**	**314**	**$**	**10**	**$**		$	284	$	19	$	
Total Duke Energy Investments	**$**	**604**	**$**	**17**	**$**	**14**	$	584	$	25	$	17

(a) Unrealized losses on investments within the Duke Energy Carolinas NDTF and Duke Energy Indiana grantor trust are deferred as regulatory assets pursuant to regulatory accounting treatment.

(b) At June 30, 2012 and December 31, 2011, $6 million and $12 million of these securities, respectively, were held by Duke Energy Carolinas. The gross unrealized losses on these securities held by Duke Energy Carolinas which were in an unrealized loss position greater than 12 months were $1 million at June 30, 2012 and $3 million at December 31, 2011.

11. Variable Interest Entities

A VIE is an entity that is evaluated for consolidation using more than a simple analysis of voting control. The analysis to determine whether an entity is a VIE considers contracts with an entity, credit support for an entity, the adequacy of the equity investment of an entity and the relationship of voting power to the amount of equity invested in an entity. This analysis is performed either upon the creation of a legal entity or upon the occurrence of an event requiring reevaluation, such as a significant change in an entity's assets or activities. If an entity is determined to be a VIE, a qualitative analysis of control determines the party that consolidates a VIE based on what party has the power to direct the most significant activities of the VIE that impact its economic performance as well as what party has rights to receive benefits or is obligated to absorb losses that are significant to the VIE. The analysis of the party that consolidates a VIE is a continual reassessment.

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CONSOLIDATED VIEs

The table below shows the VIEs that Duke Energy and Duke Energy Carolinas consolidate and how these entities impact Duke Energy's and Duke Energy Carolinas' respective Condensed Consolidated Balance Sheets. None of these entities are consolidated by Duke Energy Ohio or Duke Energy Indiana.

Other than the discussion below related to CRC, no financial support was provided to any of the consolidated VIEs during the six months ended June 30, 2012 and the year ended December 31, 2011, or is expected to be provided in the future, that was not previously contractually required.

	June 30, 2012					
(in millions)	**Duke Energy Receivables Financing LLC (DERF)[a]**	**CRC**	**CinCapV**	**Renewables**	**Other**	**Total**
Restricted Receivables of VIEs	$ 680	$ 522	$ 14	$ 14	$ 3	$ 1,233
Other Current Assets			2	118	7	127
Intangibles, net				34		34
Restricted Other Assets of VIEs			58	17	58	133
Other Assets			11	2		13
Property, Plant and Equipment, Cost				1,357		1,357
Accumulated Depreciation and Amortization				(83)		(83)
Other Deferred Debits				34	1	35
Total Assets	680	522	85	1,493	69	2,849
Accounts Payable				7	2	9
Non-Recourse Notes Payable		269				269
Taxes Accrued				3		3
Current Maturities of Long-Term Debt			12	361	4	377
Other Current Liabilities			2	20	1	23
	300		55	502	58	915

Non-Recourse Long-Term Debt												
Deferred Income Taxes							**155**					**155**
Asset Retirement Obligations							**18**					**18**
Other Liabilities					**9**		**42**					**51**
Total Liabilities		**300**		**269**	**78**		**1,108**		**65**			**1,820**
Noncontrolling Interests									**2**			**2**
Net Assets of Consolidated VIEs	**$**	**380**	**$**	**253**	**$** **7**	**$**	**385**	**$**	**2**	**$**		**1,027**

(a) DERF is a wholly owned limited liability company of Duke Energy Carolinas.

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	December 31, 2011					
(in millions)	**Duke Energy Receivables Financing LLC (DERF)[a]**	**CRC**	**CinCapV**	**Renewables**	**Other**	**Total**
Restricted Receivables of VIEs	$ 581	$ 547	$ 13	$ 13	$ 3	$ 1,157
Other Current Assets			2	124	8	134
Intangibles, net				12		12
Restricted Other Assets of VIEs			65	10	60	135
Other Assets			14	36		50
Property, Plant and Equipment, Cost				913		913
Accumulated Depreciation and Amortization				(62)		(62)
Other Deferred Debits				24	2	26
Total Assets	581	547	94	1,070	73	2,365
Accounts Payable				1	1	2
Non-Recourse Notes Payable		273				273
Taxes Accrued				3		3
Current Maturities of Long-Term Debt			11	49	5	65
Other Current Liabilities			3	59		62
Non-Recourse Long-Term Debt	300		60	528	61	949
Deferred Income Taxes				160		160
Asset Retirement Obligation				13		13
Other Liabilities			13	37		50
Total Liabilities	300	273	87	850	67	1,577
Noncontrolling Interests					1	1
Net Assets of Consolidated VIEs	$ 281	$ 274	$ 7	$ 220	$ 5	$ 787

(a) DERF is a wholly owned limited liability company of Duke Energy Carolinas.

DERF. Duke Energy Carolinas securitizes certain accounts receivable through DERF, a bankruptcy remote, special purpose subsidiary. DERF is a wholly owned limited liability company of Duke Energy Carolinas with a separate legal existence from its parent, and its assets are not intended to be generally available to creditors of Duke Energy Carolinas. As a result of the securitization, on a daily basis Duke Energy Carolinas sells certain accounts receivable, arising from the sale of electricity and/or related services as part of Duke Energy Carolinas' franchised electric business, to DERF. In order to fund its purchases of accounts receivable, DERF has a $300 million secured credit facility with a commercial paper conduit, which expires in August 2013. Duke Energy Carolinas provides the servicing for the receivables (collecting and applying the cash to the appropriate receivables). Duke Energy Carolinas' borrowing under the credit facility is limited to the amount of qualified receivables sold, which has been and is expected to be in excess of the amount borrowed, which is maintained at $300 million. The debt is classified as long-term since the facility has an expiration date of greater than one year from the balance sheet date.

The obligations of DERF under the facility are non-recourse to Duke Energy Carolinas. Duke Energy and its subsidiaries have no requirement to provide liquidity, purchase assets of DERF or guarantee performance. DERF is considered a VIE because the equity capitalization is insufficient to support its operations. If deficiencies in the net worth of DERF were to occur, those deficiencies would be cured through funding from Duke Energy Carolinas. In addition, the most significant activity of DERF relates to the decisions made with respect to the management of delinquent receivables. Since those decisions are made by Duke Energy Carolinas and any net worth deficiencies of DERF would be cured through funding from Duke Energy Carolinas, Duke Energy Carolinas consolidates DERF.

CRC. CRC was formed in order to secure low cost financing for Duke Energy Ohio, including Duke Energy Kentucky, and Duke Energy Indiana. Duke Energy Ohio and Duke Energy Indiana sell on a revolving basis at a discount, nearly all of their customer accounts receivable and related collections to CRC. The receivables which are sold are selected in order to avoid any significant concentration of credit risk and exclude delinquent receivables. The receivables sold are securitized by CRC through a facility managed by two unrelated third parties and the receivables are used as collateral for commercial paper issued by the unrelated third parties. These loans provide the cash portion of the proceeds paid by CRC to Duke Energy Ohio and Duke Energy Indiana. The proceeds obtained by Duke Energy Ohio and Duke Energy Indiana from the sales of receivables are cash and a subordinated note from CRC (subordinated retained interest in the sold receivables) for a portion of the purchase price (typically approximates 25% of the total proceeds). The amount borrowed by CRC against these receivables is non-recourse to the general credit of Duke Energy, and the associated cash collections from the accounts receivable sold is the sole source of funds to satisfy the related debt obligation. Borrowing is limited to approximately 75% of the transferred receivables. Losses on collection in excess of the discount are first absorbed by the equity of CRC and next by the subordinated retained interests held by Duke Energy Ohio and Duke Energy Indiana. The discount on the receivables reflects interest expense plus an allowance for bad debts net of a servicing fee charged by Duke Energy Ohio and Duke Energy Indiana. Duke Energy Ohio and Duke Energy Indiana are responsible for the servicing of the receivables (collecting and applying the cash to the appropriate receivables). Depending on the experience with collections, additional equity infusions to CRC may be required to be made by Duke Energy in order to maintain a minimum equity balance of $3 million. There were no equity infusions to CRC during the six months ended June 30, 2012. During the six months ended June 30, 2011, Duke Energy infused $6 million of equity to Cinergy receivables to remedy net worth deficiencies. The amount borrowed fluctuates based on the amount of receivables sold. The debt is

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short term because the facility has an expiration date of less than one year from the balance sheet date. The current expiration date is October 2012. CRC is considered a VIE because the equity capitalization is insufficient to support its operations, the power to direct the most significant activities of the entity are not performed by the equity holder, Cinergy, and deficiencies in the net worth of CRC are not funded by Cinergy, but by Duke Energy. The most significant activity of CRC relates to the decisions made with respect to the management of delinquent receivables. These decisions, as well as the requirement to make up deficiencies in net worth, are made by Duke Energy and not by Duke Energy Ohio, Duke Energy Kentucky or Duke Energy Indiana. Thus, Duke Energy consolidates CRC. Duke Energy Ohio and Duke Energy Indiana do not consolidate CRC.

CinCap V. CinCap V was created to finance and execute a power sale agreement with Central Maine Power Company for approximately 35 MW of capacity and energy. This agreement expires in 2016. CinCap V is considered a VIE because the equity capitalization is insufficient to support its operations. As Duke Energy has the power to direct the most significant activities of the entity, which are the decisions to hedge and finance the power sales agreement, CinCap V is consolidated by Duke Energy.

Renewables. Duke Energy's renewable energy facilities include Green Frontier Windpower, LLC, Top of The World Wind Energy LLC, DS Cornerstone LLC, and various solar projects, all subsidiaries of DEGS, an indirect wholly owned subsidiary of Duke Energy.

Green Frontier Windpower, LLC, Top of the World Wind Energy, LLC and the various solar projects are VIEs due to power purchase agreements with terms that approximate the expected life of the projects. These fixed price agreements effectively transfer the commodity price risk to the buyer of the power. Duke Energy has consolidated these entities since inception because the most significant activities that impact the economic performance of these renewable energy facilities were the decisions associated with the siting, negotiation of the purchase power agreement, engineering, procurement and construction, and decisions associated with ongoing operations and maintenance related activities, all of which were made solely by Duke Energy.

DS Cornerstone, LLC, a 50/50 joint venture entity with a third-party joint venture partner, owns two windpower projects and has executed a third party financing against the two windpower projects. DS Cornerstone is currently a VIE as the members equity is not sufficient as of the June 30, 2012 to support the operations of the joint venture as demonstrated by the third party financing. Duke Energy provided a Production Tax Credit (PTC) Remedy Agreement to the joint venture partner whereby Duke Energy has guaranteed the two windpower projects will achieve commercial operation in 2012 and an agreed to number of wind turbines will qualify for production tax credits. In the event the agreed to number of wind turbines of the two wind generating facilities fail to qualify, the joint venture partner has the option to put its equity ownership interest back to Duke Energy. The PTC Remedy Agreement results in greater loss exposure to Duke Energy and, as a result, Duke Energy will consolidate DS Cornerstone, LLC until both projects reach commercial operation in 2012 and the appropriate number of wind turbines qualify for PTC.

The debt held by these renewable energy facilities is non-recourse to the general credit of Duke Energy. Duke Energy and its subsidiaries have no requirement to provide liquidity or purchase the assets of these renewable energy facilities. Duke Energy does not guarantee performance except for the production tax credit guarantee mentioned above, an immaterial multi-purpose letter of credit and various immaterial debt service reserve and operations and maintenance reserve guarantees. The assets are restricted and they cannot be pledged as collateral or sold to third parties without the prior approval of the debt holders.

Other. Duke Energy has other VIEs with restricted assets and non-recourse debt. These VIEs include certain on-site power generation facilities. Duke Energy consolidates these particular on-site power generation entities because Duke Energy has the power to direct the majority of the most significant activities, which, most notably involve the oversight of operation and maintenance related activities that impact the economic performance of these entities.

NON-CONSOLIDATED VIEs

The tables below show the VIEs that the Duke Energy Registrants do not consolidate and how these entities impact the Duke Energy Registrants respective Condensed Consolidated Balance Sheets. As discussed above, while Duke Energy consolidated CRC, Duke Energy Ohio and Duke Energy Indiana do not consolidate CRC as they are not the primary beneficiary.

	June 30, 2012					
		Duke Energy			Duke Energy	Duke Energy
(in millions)	**DukeNet**	**Renewables**	**Other**	**Total**	**Ohio**	**Indiana**
Receivables	**$**	**$**	**$**	**$**	**$ 101**	**$ 143**
Investments in equity method unconsolidated affiliates	**122**	**79**	**25**	**226**		
Intangibles			**108**	**108**	**108**	
Total Assets	**122**	**79**	**133**	**334**	**209**	**143**
Other Current Liabilities			**3**	**3**		
Deferred Credits and Other Liabilities			**17**	**17**		
Total Liabilities			**20**	**20**		
Net Assets	**$ 122**	**$ 79**	**$ 113**	**$ 314**	**$ 209**	**$ 143**

	December 31, 2011					
		Duke Energy			Duke Energy	Duke Energy
(in millions)	**DukeNet**	**Renewables**	**Other**	**Total**	**Ohio**	**Indiana**
Receivables	$	$	$	$	$ 129	$ 139
Investments in equity method unconsolidated affiliates	129	81	25	235		
Intangibles			111	111	111	
Total Assets	129	81	136	346	240	139
Other Current Liabilities			3	3		
Deferred Credits and Other Liabilities			18	18		
Total Liabilities			21	21		

Net Assets	$ 129	$ 81	$ 115	$ 325	$ 240	$ 139

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No financial support that was not previously contractually required was provided to any of the unconsolidated VIEs during the six months ended June 30, 2012 and 2011, respectively, or is expected to be provided in the future.

With the exception of the power purchase agreement with the Ohio Valley Electric Corporation (OVEC), which is discussed below, and various guarantees, reflected in the table above as “Deferred Credits and Other Liabilities”, the Duke Energy Registrants are not aware of any situations where the maximum exposure to loss significantly exceeds the carrying values shown above.

CRC. As discussed above, CRC is consolidated only by Duke Energy. Accordingly, the retained interest in the sold receivables recorded on the Condensed Consolidated Balance Sheets of Duke Energy Ohio and Duke Energy Indiana are eliminated in consolidation at Duke Energy.

The proceeds obtained from the sales of receivables are largely cash but do include a subordinated note from CRC for a portion of the purchase price (typically approximates 25% of the total proceeds). The subordinated note is a retained interest (right to receive a specified portion of cash flows from the sold assets) and is classified within Receivables in Duke Energy Ohio’s and Duke Energy Indiana’s Condensed Consolidated Balance Sheets. The retained interests reflected on the Condensed Consolidated Balance Sheets of Duke Energy Ohio and Duke Energy Indiana approximate fair value.

The carrying values of the retained interests are determined by allocating the carrying value of the receivables between the assets sold and the interests retained based on relative fair value. Because the receivables generally turnover in less than two months, credit losses are reasonably predictable due to the broad customer base and lack of significant concentration, and the purchased beneficial interest (equity in CRC) is subordinate to all retained interests and thus would absorb losses first, the allocated basis of the subordinated notes are not materially different than their face value. The hypothetical effect on the fair value of the retained interests assuming both a 10% and a 20% unfavorable variation in credit losses or discount rates is not material due to the short turnover of receivables and historically low credit loss history. Interest accrues to Duke Energy Ohio, Duke Energy Indiana and Duke Energy Kentucky on the retained interests using the accretable yield method, which generally approximates the stated rate on the notes since the allocated basis and the face value are nearly equivalent. An impairment charge is recorded against the carrying value of both the retained interests and purchased beneficial interest whenever it is determined that an other-than-temporary impairment has occurred. The key assumptions used in estimating the fair value in 2012 and 2011 is detailed in the following table:

	Duke Energy Ohio		**Duke Energy Indiana**	
	2012	**2011**	**2012**	**2011**
Anticipated credit loss ratio	**0.8 %**	0.8 %	**0.4 %**	0.4 %

Discount rate	**1.3 %**	2.6 %	**1.3 %**	2.6 %
Receivable turnover rate	**12.7 %**	12.7 %	**10.2 %**	10.2 %

The following table shows the gross and net receivables sold:

	Duke Energy Ohio		Duke Energy Indiana	
(in millions)	**June 30, 2012**	**December 31, 2011**	**June 30, 2012**	**December 31, 2011**
Receivables sold	**$ 251**	$ 302	**$ 307**	$ 279
Less: Retained interests	**102**	129	**143**	139
Net receivables sold	**$ 149**	$ 173	**$ 164**	$ 140

The following tables show the retained interests, sales, and cash flows related to receivables sold:

	Duke Energy Ohio		Duke Energy Indiana	
	Three Months Ended June 30,		**Three Months Ended June 30,**	
(in millions)	**2012**	**2011**	**2012**	**2011**
Sales				
Receivables sold	**$ 490**	$ 521	**$ 701**	$ 630
Loss recognized on sale	**$ 3**	$ 5	**$ 3**	$ 4
Cash flows				
Cash proceeds from receivables sold	**$ 484**	$ 560	**$ 673**	$ 646
Collection fees received	**$ 1**	$	**$ 1**	$
Return received on retained interests	**$ 1**	$ 3	**$ 1**	$ 3

	Duke Energy Ohio		Duke Energy Indiana	
	Six Months Ended June 30,		**Six Months Ended June 30,**	
(in millions)	**2012**	**2011**	**2012**	**2011**
Sales				
Receivables sold	**$ 1,100**	$ 1,240	**$ 1,407**	$ 1,298
Loss recognized on sale	**$ 7**	$ 11	**$ 6**	$ 8
Cash flows				
Cash proceeds from receivables sold	**$ 1,120**	$ 1,337	**$ 1,397**	$ 1,355
Collection fees received	**$ 1**	$ -	**$ 1**	$
Return received on retained interests	**$ 3**	$ 7	**$ 3**	$ 7

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Cash flows from the sale of receivables are reflected within Operating Activities on Duke Energy Ohio's and Duke Energy Indiana's Consolidated Statements of Cash Flows.

Collection fees received in connection with the servicing of transferred accounts receivable are included in Operation, Maintenance and Other on Duke Energy Ohio's and Duke Energy Indiana's Consolidated Statements of Operations. The loss recognized on the sale of receivables is calculated monthly by multiplying the receivables sold during the month by the required discount which is derived monthly utilizing a three year weighted average formula that considers charge-off history, late charge history, and turnover history on the sold receivables, as well as a component for the time value of money. The discount rate, or component for the time value of money, is calculated monthly by summing the prior month-end LIBOR plus a fixed rate of 1.00% as of June 30, 2012, as compared to prior month-end LIBOR plus 2.39% as of June 30, 2011.

DukeNet. In 2010, Duke Energy sold a 50% ownership interest in DukeNet to Alinda. The sale resulted in DukeNet becoming a joint venture with Duke Energy and Alinda each owning a 50% interest. In connection with the formation of the new DukeNet joint venture, a five-year, $150 million senior secured credit facility was executed with a syndicate of ten external financial institutions. This credit facility is non-recourse to Duke Energy. DukeNet is considered a VIE because it has entered into certain contractual arrangements that provide DukeNet with additional forms of subordinated financial support. The most significant activities that impact DukeNet's economic performance relate to its business development and fiber optic capacity marketing and management activities. The power to direct these activities is jointly and equally shared by Duke Energy and Alinda. As a result, Duke Energy does not consolidate the DukeNet joint venture. Accordingly, DukeNet is a non-consolidated VIE that is reported as an equity method investment.

Unless consent by Duke Energy is given otherwise, Duke Energy and its subsidiaries have no requirement to provide liquidity, purchase the assets of DukeNet, or guarantee performance.

Renewables. Duke Energy has investments in various entities that generate electricity through the use of renewable energy technology. Some of these entities, which were part of the Catamount acquisition, are VIEs which are not consolidated due to the joint ownership of the entities when they were created and the power to direct and control key activities is shared jointly Instead, Duke Energy's investment is recorded under the equity method of accounting. These entities are VIEs due to power purchase agreements with terms that approximate the expected life of the project. These fixed price agreements effectively transfer the commodity price risk to the buyer of the power.

Other. Duke Energy has investments in various other entities that are VIEs which are not consolidated. The most significant of these investments is Duke Energy Ohio's 9% ownership interest in OVEC. Through its ownership interest in OVEC, Duke Energy Ohio has a contractual arrangement through June 2040 to buy power from OVEC's power plants. The proceeds from the sale of power by OVEC to its power purchase agreement counterparties, including Duke Energy Ohio, are designed to be sufficient for OVEC to meet its

operating expenses, fixed costs, debt amortization and interest expense, as well as earn a return on equity. Accordingly, the value of this contract is subject to variability due to fluctuations in power prices and changes in OVEC's costs of business, including costs associated with its 2,256 megawatts of coal-fired generation capacity. As discussed in Note 5, the proposed rulemaking on cooling water intake structures, MATS, CSAPR and CCP's could increase the costs of OVEC which would be passed through to Duke Energy Ohio. The initial carrying value of this contract was recorded as an intangible asset when Duke Energy acquired Cinergy in April 2006.

In addition, the company has guaranteed the performance of certain entities in which the company no longer has an equity interest. As a result, the company has a variable interest in certain other VIEs that are non-consolidated.

12. Earnings Per Common Share (EPS)

Basic Earnings Per Share (EPS) is computed by dividing net income attributable to Duke Energy common shareholders, adjusted for distributed and undistributed earnings allocated to participating securities, by the weighted-average number of common shares outstanding during the period. Diluted EPS is computed by dividing net income attributable to Duke Energy common shareholders, as adjusted for distributed and undistributed earnings allocated to participating securities, by the diluted weighted-average number of common shares outstanding during the period. Diluted EPS reflects the potential dilution that could occur if securities or other agreements to issue common stock, such as stock options, phantom shares and stock-based performance unit awards were exercised or settled.

On July 2, 2012, just prior to the close of the merger with Progress Energy, Duke Energy executed a one-for-three reverse stock split. All earnings per share amounts included in this 10-Q are presented as if the one-for-three reverse stock split had been effective January 1, 2011. The following table, which includes the effects of the reverse stock split, illustrates Duke Energy's basic and diluted EPS calculations and reconciles the weighted-average number of common shares outstanding to the diluted weighted-average number of common shares outstanding:

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Combined Notes To Unaudited Condensed Consolidated Financial Statements - (Continued)

(in millions, except per-share amounts)	**Income**	**Average Shares**	**EPS**
Three Months Ended June 30, 2012			
Income from continuing operations attributable to Duke Energy common shareholders, as adjusted for participating securities — basic	$ **444**	**446**	$ **0.99**
Effect of dilutive securities:			
Stock options, performance and restricted stock			
Income from continuing operations attributable to Duke Energy common shareholders, as adjusted for participating securities — diluted	$ **444**	**446**	$ **0.99**
Three Months Ended June 30, 2011			
Income from continuing operations attributable to Duke Energy common shareholders, as adjusted for participating securities — basic	$ 434	444	$ 0.98
Effect of dilutive securities:			
Stock options, performance and restricted stock			
Income from continuing operations attributable to Duke Energy common shareholders, as adjusted for participating securities — diluted	$ 434	444	$ 0.98

(In millions, except per-share amounts)	**Income**	**Average Shares**	**EPS**
Six Months Ended June 30, 2012			
Income from continuing operations attributable to Duke Energy common shareholders, as adjusted for participating securities — basic	$ **736**	**446**	$ **1.65**
Effect of dilutive securities:			
Stock options, performance and restricted stock			
Income from continuing operations attributable to Duke Energy common shareholders, as adjusted for participating securities — diluted	$ **736**	**446**	$ **1.65**
Six Months Ended June 30, 2011			
Income from continuing operations attributable to Duke Energy common shareholders, as adjusted for participating securities — basic	$ 944	444	$ 2.13
Effect of dilutive securities:			
Stock options, performance and restricted stock			
Income from continuing operations attributable to Duke Energy common shareholders, as adjusted for participating securities — diluted	$ 944	444	$ 2.13

As of June 30, 2012 and 2011, 4 million and 2 million, respectively, of stock options and performance and unvested stock awards were not included in the “effect of dilutive securities” in the above table because either the option exercise prices were greater than the average market price of the common shares during those periods, or performance measures related to the awards had not yet been met.

13. Stock-Based Compensation

For employee awards, equity classified stock-based compensation cost is measured at the service inception date or the grant date, based on the estimated achievement of certain performance metrics or the fair value of the award, and is recognized as expense or capitalized as a component of property, plant and equipment over the requisite service period.

Duke Energy recorded pre-tax stock-based compensation expense for the three and six months ended June 30, 2012 and 2011 as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	**2012**	2011	**2012**	2011
Stock Options	**$**	$	**$ 2**	$ 2
Restricted Stock Unit Awards	**6**	6	**14**	14
Performance Awards	**5**	5	**3**	11
Total[(a)(b)(c)(d)]	**$ 11**	$ 11	**$ 19**	$ 27

(a) Excludes stock-based compensation cost capitalized of $1 million for each of the three months ended June 30, 2012 and 2011.

(b) Excludes stock-based compensation cost capitalized of $1 million and $2 million for the six months ended June 30, 2012 and 2011, respectively.

(c) The tax benefit associated with the recorded expense was $4 million and $5 million for the three months ended June 30, 2012 and 2011, respectively.

(d) The tax benefit associated with the recorded expense was $7 million and $11 million for the six months ended June 30, 2012 and 2011, respectively.

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14. Employee Benefit Obligations

Net periodic benefit costs disclosed in the tables below for the qualified pension, non-qualified pension and other post-retirement benefit plans represent the cost of the respective benefit plan to the Duke Energy Registrants for the periods presented. However, portions of the net periodic benefit costs disclosed in the tables below have been capitalized as a component of property, plant and equipment.

Each of the Subsidiary Registrants participate in qualified pension plans, non-qualified pension plans and other post-retirement benefit plans sponsored by Duke Energy. The net periodic benefit costs shown in the tables below represent the allocated cost of the respective benefit plan for the periods presented. Additionally, the Subsidiary Registrants are allocated their proportionate share of pension and other post-retirement benefit cost for employees of Duke Energy's shared services affiliate that provide support to the respective Subsidiary Registrant. These allocated amounts are included in the governance and shared services costs for each Subsidiary Registrant discussed in Note 17.

Duke Energy

The following table shows the components of the net periodic benefit costs for the Duke Energy U.S. qualified pension, non-qualified pension and other post-retirement benefit plans.

	Three Months Ended June 30, 2012			Three Months Ended June 30, 2011		
(in millions)	**Qualified Pension Plans[a]**	**Non-Qualified Pension Plans**	**Other Post-Retirement Benefit Plans[b]**	Qualified Pension Plans[a]	Non-Qualified Pension Plans	Other Post-Retirement Benefit Plans[b]
Service cost	**$ 22**	**$**	**$ 1**	$ 24	$ 1	$ 3
Interest cost on projected benefit obligation	**59**	**1**	**9**	58	2	9
Expected return on plan assets	**(94)**		**(4)**	(96)		(4)
Amortization of prior service cost (credit)	**2**	**1**	**(2)**	1		(2)
Amortization of net transition liability			**2**			2
Amortization of loss (gain)	**25**	**1**	**(1)**	19		(1)
Other	**1**			5		
Net periodic costs	**$ 15**	**$ 3**	**$ 5**	$ 11	$ 3	$ 7

(a) Excludes regulatory asset amortization of $4 million and $3 million for each of the three months ended June 30, 2012 and 2011, respectively, resulting from purchase accounting adjustments associated with Duke Energy's merger with Cinergy in April 2006.

(b) Excludes regulatory asset amortization of $2 million for each of the three months ended June 30, 2012 and 2011, resulting from purchase accounting adjustments associated with Duke Energy's merger with Cinergy in April 2006.

	Six Months Ended June 30, 2012			Six Months Ended June 30, 2011		
(in millions)	Qualified Pension Plans[a]	Non-Qualified Pension Plans	Other Post-Retirements Benefit Plans[b]	Qualified Pension Plans[a]	Non-Qualified Pension Plans	Other Post-Retirements Benefit Plans[b]
Service cost	$ 45	$ 1	$ 3	$ 48	$ 1	$ 4
Interest cost on projected benefit obligation	120	3	17	116	4	18
Expected return on plan assets	(188)		(8)	(192)		(8)
Amortization of prior service cost (credit)	3	1	(4)	3	1	(4)
Amortization of net transition liability			4			5
Amortization of loss (gain)	49	1	(3)	38		(2)
Other	2			9		
Net periodic costs	$ 31	$ 6	$ 9	$ 22	$ 6	$ 13

(a) Excludes regulatory asset amortization of $7 million for each of the six months ended June 30, 2012 and 2011, resulting from purchase accounting adjustments associated with Duke Energy's merger with Cinergy in April 2006.

(b) Excludes regulatory asset amortization of $4 million for each of the six months ended June 30, 2012 and 2011, resulting from purchase accounting adjustments associated with Duke Energy's merger with Cinergy in April 2006.

Duke Energy Carolinas

	Three Months Ended June 30, 2012			Three Months Ended June 30, 2011		
(in millions)	Qualified Pension Plans	Non-Qualified Pension Plans	Other Post-Retirement Benefit Plans	Qualified Pension Plans	Non-Qualified Pension Plans	Other Post-Retirement Benefit Plans
Service cost	$ 8	$	$	$ 10	$	$ 1
Interest cost on	22	1	4	22	1	4

projected benefit obligation												
Expected return on plan assets	**(37)**				**(2)**		(38)					(3)
Amortization of prior service cost (credit)	**1**				**(1)**							(2)
Amortization of net transition liability					**2**							3
Amortization of loss	**12**						9					
Other	**1**						2					
Net periodic costs	**$**	**7**	**$**	**1**	**$**	**3**	$	5	$	1	$	3

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	Six Months Ended June 30, 2012			Six Months Ended June 30, 2011		
(in millions)	**Qualified Pension Plans**	**Non-Qualified Pension Plans**	**Other Post-Retirement Benefit Plans**	**Qualified Pension Plans**	**Non-Qualified Pension Plans**	**Other Post-Retirement Benefit Plans**
Service cost	**$ 17**	**$**	**$ 1**	$ 19	$	$ 1
Interest cost on projected benefit obligation	**45**	**1**	**8**	43	1	8
Expected return on plan assets	**(73)**		**(5)**	(75)		(5)
Amortization of prior service cost (credit)	**1**		**(2)**			(3)
Amortization of net transition liability			**3**			5
Amortization of loss	**23**		**1**	18		1
Other	**1**			4		
Net periodic	**$ 14**	**$ 1**	**$ 6**	$ 9	$ 1	$ 7

costs

Duke Energy Ohio

(in millions)	Three Months Ended June 30, 2012 Qualified Pension Plans[a]	Three Months Ended June 30, 2011 Qualified Pension Plans[a]
Service cost	**$ 1**	$ 1
Interest cost on projected benefit obligation	**8**	8
Expected return on plan assets	**(11)**	(11)
Amortization of loss	**3**	2
Other		1
Net periodic costs[b]	**$ 1**	$ 1

(a) Excludes regulatory asset amortization of $1 million for each of the three months ended June 30, 2012 and 2011, resulting from purchase accounting adjustments associated with Duke Energy’s merger with Cinergy in April 2006.

(b) Components of net periodic costs for Duke Energy Ohio's other post-retirement benefit plans and non-qualified pension plans were an insignificant amount for each of the three months ended June 30, 2012 and 2011.

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	Six Months Ended June 30, 2012		Six Months Ended June 30, 2011	
(in millions)	**Qualified Pension Plans[a]**	**Other Post-Retirement Benefit Plans[b]**	Qualified Pension Plans[a]	Other Post-Retirement Benefit Plans[b]
Service cost	**$ 3**	**$**	$ 3	$
Interest cost on projected benefit obligation	**16**	**1**	16	1
Expected return on plan assets	**(22)**		(22)	
Amortization of loss (gain)	**5**	**(1)**	4	(1)
Other			1	
Net periodic costs[c]	**$ 2**	**$**	$ 2	$

(a) Excludes regulatory asset amortization of $3 million for each of the six months ended June 30, 2012 and 2011, resulting from purchase accounting adjustments associated with Duke Energy's merger with Cinergy in April 2006.

(b) Excludes regulatory asset amortization of $1 million for each of the six months ended June 30, 2012 and 2011, resulting from purchase accounting adjustments associated with Duke Energy's merger with Cinergy in April 2006.

(c) Components of net periodic costs for Duke Energy Ohio's non-qualified pension plans were an insignificant amount for each of the six months ended June 30, 2012 and 2011.

Duke Energy Indiana

	Three Months Ended June 30, 2012		Three Months Ended June 30, 2011	
(in millions)	**Qualified Pension Plans**	**Other Post-Retirement Benefit Plans**	Qualified Pension Plans	Other Post-Retirement Benefit Plans
Service cost	**$ 3**	**$**	$ 2	$
Interest cost on projected benefit obligation	**7**	**2**	8	2
Expected return on plan assets	**(11)**	**(1)**	(11)	(1)
Amortization of prior service cost		**1**	1	
Amortization of loss (gain)	**4**	**(1)**	3	1

Other			1	
Net periodic costs[(a)]	**$ 3**	**$ 1**	$ 4	$ 2

(a) Components of net periodic costs for Duke Energy Indiana's non-qualified pension plans were an insignificant amount for each of the three months ended June 30, 2012 and 2011.

	Six Months Ended June 30, 2012		**Six Months Ended June 30, 2011**	
(in millions)	**Qualified Pension Plans**	**Other Post-Retirement Benefit Plans**	**Qualified Pension Plans**	**Other Post-Retirement Benefit Plans**
Service cost	**$ 5**	**$**	$ 5	$
Interest cost on projected benefit obligation	**15**	**4**	15	4
Expected return on plan assets	**(23)**	**(1)**	(22)	(1)
Amortization of prior service cost	**1**	**1**	1	
Amortization of loss (gain)	**7**	**(1)**	7	1
Other			1	
Net periodic costs[(a)]	**$ 5**	**$ 3**	$ 7	$ 4

(a) Components of net periodic costs for Duke Energy Indiana's non-qualified pension plans were an insignificant amount for each of the six months ended June 30, 2012 and 2011.

Employee Savings Plan

Duke Energy sponsors employee savings plans that cover substantially all U.S. employees. Duke Energy made pre-tax employer contributions of $19 million for each of the three months ended June 30, 2012 and 2011, respectively. Duke Energy made pre-tax employer contributions of $47 million and $50 million for the six months ended June 30, 2012 and 2011, respectively.

The Subsidiary Registrants participate in Duke Energy sponsored employee savings plans. The following table shows the respective Subsidiary Registrants' expense related to its proportionate share of pre-tax employer contributions.

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	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	**2012**	**2011**	**2012**	**2011**
Duke Energy Carolinas	**$ 9**	$ 8	**$ 20**	$ 20
Duke Energy Ohio	**1**	1	**2**	2
Duke Energy Indiana	**1**	2	**3**	5

15. Severance

2011 Severance Plan. In conjunction with the merger, in November 2011, Duke Energy and Progress Energy offered a voluntary severance plan to certain eligible employees. Approximately 1,100 employees from Duke Energy and Progress Energy accepted the termination benefits during the voluntary window period, which closed on November 30, 2011. The estimated amount of severance payments associated with this voluntary plan and other severance benefits are expected to range from $225 million to $275 million. A significant majority of the severance benefits will be recognized as expense in the second half of 2012 and most of the costs will be charged to Duke Energy Carolinas, Progress Energy Carolinas and Progress Energy Florida.

Other Severance Plans. Amounts included in the table below represent the severance liability for Duke Energy's past and on-going severance plans.

(in millions)	**Balance at December 31, 2011**	**Provision / Adjustments**	**Cash Reductions**	**Balance at June 30, 2012**
Duke Energy	$ 32	$ (1)	$ (8)	$ 23

As part of Duke Energy Carolinas' 2011 rate case, the NCUC approved the recovery of $101 million of previously recorded expenses related to a prior year Voluntary Opportunity Plan which were recorded in 2012.

16. Income Taxes and Other Taxes

Income Taxes. Duke Energy and its subsidiaries file income tax returns in the U.S. with federal and various state governmental authorities, and in certain foreign jurisdictions. The taxable income of Duke Energy and its subsidiaries is reflected in Duke Energy's U.S. federal and state income tax returns. These subsidiaries have a tax sharing agreement with Duke Energy where the separate return method is used to

allocate tax expenses and benefits to the subsidiaries whose investments or results of operations provide these tax expenses and benefits. The accounting for income taxes essentially represents the income taxes that each of these subsidiaries would incur if it were a separate company filing its own tax return as a C-Corporation.

The effective tax rates for each of the Duke Energy Registrants are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	**2011**	**2012**	**2011**
Duke Energy	**32.2 %**	30.4 %	**29.8 %**	30.8 %
Duke Energy Carolinas	**37.2 %**	35.5 %	**36.7 %**	35.3 %
Duke Energy Ohio	**39.9 %**	9.6 %	**38.1 %**	30.4 %
Duke Energy Indiana	**34.4 %**	29.3 %	**45.7 %**	32.3 %

For the three months ended June 30, 2012, Duke Energy's effective tax rate increased primarily due to a $10 million reduction of deferred tax liabilities as a result of an election related to the transfer of certain gas fired generation assets to its wholly owned subsidiary Duke Energy Commercial Asset Management, LLC (DECAM) in the second quarter of 2011. For the six months ended June 30, 2012, Duke Energy reflected a decrease in its effective tax rate primarily due to a decrease in pretax income related to the Edwardsport IGCC project impairment charges.

In addition, for the three and six months ended June 30, 2012, Duke Energy Carolinas reflected an increase in its effective tax rate primarily due to a decrease in AFUDC equity, Duke Energy Ohio's effective tax rate increased primarily due to an increase in pretax income and a $10 million reduction of deferred tax liabilities as a result of an election related to the transfer of certain gas-fired generation assets to its wholly owned subsidiary DECAM in the second quarter of 2011, and Duke Energy Indiana reflected an increase in its effective tax rate primarily due to an increase in pretax loss related to the Edwardsport IGCC project impairment charges. See Note 4 for further details on the impairment charges.

Excise Taxes. Certain excise taxes levied by state or local governments are collected by the Duke Energy Registrants from its customers. These taxes, which are required to be paid regardless of the Duke Energy Registrants' ability to collect from the customer, are accounted for on a gross basis. When each of the Duke Energy Registrants act as an agent, and the tax is not required to be remitted if it is not collected from the customer, the taxes are accounted for on a net basis. Excise taxes for each Duke Energy Registrant are accounted for on a gross basis and recorded as revenues and other tax expense in the respective Condensed Consolidated Statements of Operations were as follows:

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	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	**2012**	**2011**	**2012**	**2011**
Duke Energy Carolinas	**$ 39**	$ 37	**$ 78**	$ 73
Duke Energy Ohio	**23**	25	**53**	59
Duke Energy Indiana	**8**	7	**16**	15
Duke Energy	**$ 70**	$ 69	**$ 147**	$ 147

17. Related Party Transactions

The Subsidiary Registrants engage in related party transactions, which are generally performed at cost and in accordance with the applicable state and federal commission regulations. Balances due to or due from related parties included in the Condensed Consolidated Balance Sheets and amounts related to transactions with related parties included in the Condensed Consolidated Statements of Operations and Comprehensive Income and presented in the following tables.

Duke Energy Carolinas

Balances due to and due from related parties included on the Condensed Consolidated Balance Sheets, which exclude assets or liabilities associated with accrued pension and other post-retirement benefits and money pool arrangements, are presented in the following table:

(in millions)	**June 30, 2012**	**December 31, 2011**
Current assets		
Receivables	**$**	$ 2
Other	**$ 95**	$ 95
Non-current assets		
Other	**$ 111**	$ 111
Current liabilities		
Accounts payable	**$ (97)**	$ (157)
Taxes Accrued	**$ (10)**	$ (14)
Non-current liabilities		
Deferred income taxes	**$ (4,891)**	$ (4,555)
Other	**$ (64)**	$ (64)

As discussed further in Note 14, Duke Energy Carolinas participates in Duke Energy's qualified pension, non-qualified pension and other post-retirement benefit plans and is allocated its proportionate share of expenses associated with these plans. Additionally, Duke Energy Carolinas has been allocated accrued pension and other post-retirement benefit obligations as shown in the following table:

(in millions)	June 30, 2012	December 31, 2011
Other current liabilities	**$ 8**	$ 8
Accrued pension and other post-retirement benefit obligations	**232**	248
Total allocated accrued pension and other post-retirement benefit obligations	**$ 240**	$ 256

Amounts related to transactions with related parties included in the Condensed Consolidated Statements of Operations and Comprehensive Income are presented in the following table:

	Three Months Ended		Six Months Ended	
(in millions)	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Corporate governance and shared service expenses[a]	**$ 254**	$ 251	**$ 489**	$ 504
Indemnification coverages[b]	**$ 6**	$ 5	**$ 11**	$ 10
Rental income and other charged expenses, net[c]	**$ (5)**	$ (2)	**$ (7)**	$ (4)
Interest expense on money pool[d]	**$ 1**	$	**$ 1**	$

(a) Duke Energy Carolinas is charged its proportionate share of corporate governance and other costs by an unconsolidated affiliate that is a consolidated affiliate of Duke Energy. Corporate governance and other shared services costs are primarily related to human resources, employee benefits, legal and accounting fees, as well as other third party costs. These amounts are recorded in Operation, Maintenance and Other within Operating Expenses on the Condensed Consolidated Statements of Operations and Comprehensive Income.

(b) Duke Energy Carolinas incurs expenses related to certain indemnification coverages through Bison, Duke Energy’s wholly owned captive insurance subsidiary. These expenses are recorded in Operation, Maintenance and Other within Operating Expenses on the Condensed Consolidated Statements of Operations and Comprehensive Income.

(c) Duke Energy Carolinas records income associated with the rental of office space to a consolidated affiliate of Duke Energy, as well as its proportionate share of certain charged expenses from affiliates of Duke Energy.

(d) Recorded in Interest Expense on the Condensed Consolidated Statements of Operations and Comprehensive Income. See Note 6 for additional information related to money pool.

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Duke Energy Ohio

Balances due to and due from related parties included in the Condensed Consolidated Balance Sheets, which exclude assets or liabilities associated with accrued pension and other post-retirement benefits, CRC and money pool arrangements, are presented in the following table:

(in millions)	June 30, 2012	December 31, 2011
Current assets		
Receivables	**$ 7**	$ 15
Other	**$ 98**	$ 76
Non-current assets		
Other	**$ 28**	$ 22
Current liabilities		
Accounts payable	**$ (73)**	$ (84)
Taxes Accrued	**$ (4)**	$
Non-current liabilities		
Deferred income taxes	**$ (1,882)**	$ (1,798)
Other	**$ (34)**	$

As discussed further in Note 14, Duke Energy Ohio participates in Duke Energy's qualified pension, non-qualified pension and other post-retirement benefit plans and is allocated its proportionate share of expenses associated with these plans. Additionally, Duke Energy Ohio has been allocated accrued pension and other post-retirement benefit obligations as shown in the following table:

(in millions)	June 30, 2012	December 31, 2011
Other current liabilities	**$ 4**	$ 4
Accrued pension and other post-retirement benefit obligations	**160**	166
Total allocated accrued pension and other post-retirement benefit obligations	**$ 164**	$ 170

Amounts related to transactions with related parties included in the Condensed Consolidated Statements of Operations and Comprehensive Income are presented in the following table:

(in millions)	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Corporate governance and shared service expenses[a]	**$ 86**	$ 91	**$ 176**	$ 186
Indemnification coverages[b]	**$ 3**	$ 4	**$ 7**	$ 8
Rental income and other charged expenses, net[c]	**$**	$	**$ (1)**	$
CRC interest income[d]	**$ 1**	$ 3	**$ 3**	$ 7

(a) Duke Energy Ohio is charged its proportionate share of corporate governance and other costs by an unconsolidated affiliate that is a consolidated affiliate of Duke Energy. Corporate governance and other shared services costs are primarily related to human resources, employee benefits, legal and accounting fees, as well as other third party costs. These amounts are recorded in Operation, Maintenance and Other within Operating Expenses on the Condensed Consolidated Statements of Operations and Comprehensive Income.

(b) Duke Energy Ohio incurs expenses related to certain indemnification coverages through Bison, Duke Energy's wholly owned captive insurance subsidiary. These expenses are recorded in Operation, Maintenance and Other within Operating Expenses on the Condensed Consolidated Statements of Operations and Comprehensive Income.

(c) Duke Energy Ohio records income associated with the rental of office space to a consolidated affiliate of Duke Energy, as well as its proportionate share of certain charged expenses from affiliates of Duke Energy.

(d) As discussed in Note 11, certain trade receivables have been sold by Duke Energy Ohio to CRC, an unconsolidated entity formed by a subsidiary of Duke Energy. The proceeds obtained from the sales of receivables are largely cash but do include a subordinated note from CRC for a portion of the purchase price. The interest income associated with the subordinated note is recorded in Other Income and Expenses, net on the Condensed Consolidated Statements of Operations and Comprehensive Income.

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DUKE ENERGY CORPORATION - DUKE ENERGY CAROLINAS, LLC - DUKE ENERGY OHIO, INC. -

DUKE ENERGY INDIANA, INC.

Combined Notes To Unaudited Condensed Consolidated Financial Statements - (Continued)

DECAM is a non-regulated, direct subsidiary of Duke Energy Ohio. DECAM conducts business activities including the execution of commodity transactions and executing third party vendor and supply contracts as well as service contracts for certain of Duke Energy's non-regulated entities. The commodity contracts that DECAM enters either do not qualify as hedges or have not been designated as hedges (hereinafter referred to as undersigned contracts), thus the mark-to-market impacts of these contracts are reflected in Duke Energy Ohio's Condensed Consolidated Statements of Comprehensive Income. In addition, equal and offsetting mark-to-market impacts of intercompany contracts with non regulated entities are reflected in Duke Energy Ohio's Condensed Consolidated Statements of Comprehensive Income representing the pass through of the economics of the original contracts to non-regulated entities in accordance with contractual arrangements between Duke Energy Ohio and non-regulated entities. See Note 8 for additional information. Because it is not a rated entity, DECAM receives its credit support from Duke Energy or its non-regulated subsidiaries and not the regulated utility operations of Duke Energy Ohio. DECAM meets its funding needs through an intercompany loan agreement from a subsidiary of Duke Energy. The intercompany loan agreement was executed in February 2011. An additional intercompany loan agreement was executed in October 2011 so that DECAM can also loan money to the subsidiary of Duke Energy. DECAM had no outstanding intercompany loan payable with the subsidiary of Duke Energy as of June 30, 2012 or December 31, 2011. DECAM had a $350 million and a $90 million intercompany loan receivable with the subsidiary of Duke Energy as of June 30, 2012 and December 31, 2011, respectively.

Duke Energy Ohio paid a $285 million dividend to its parent, Cinergy, in March 2011. In January 2012, Duke Energy Ohio recorded a non-cash equity transfer of $28 million related to the sale of Vermillion to Duke Energy Indiana. See Note 2 for further discussion.

Duke Energy Indiana

Balances due to and due from related parties included in the Condensed Consolidated Balance Sheets, which exclude assets or liabilities associated with accrued pension and other post-retirement benefits, CRC and money pool arrangements, are presented in the following table.

(in millions)	**June 30, 2012**	**December 31, 2011**
Current assets		
Receivables	**$ 16**	$ 18
Other	**$ 7**	$ 13
Non-current assets		
Other	**$ 2**	$ 2
Current liabilities		

	Accounts payable	**$**	**(38)**	$ (72)
	Taxes accrued	**$**		$ (25)
	Other	**$**	**(8)**	$
Non-current liabilities				
	Deferred income taxes	**$**	**(835)**	$ (927)
	Other	**$**	**(22)**	$ (22)

As discussed further in Note 14, Duke Energy Indiana participates in Duke Energy's qualified pension, non-qualified pension and other post-retirement benefit plans and is allocated its proportionate share of expenses associated with these plans. Additionally, Duke Energy Indiana has been allocated accrued pension and other post-retirement benefit obligations as shown in the following table:

(in millions)	**June 30, 2012**	**December 31, 2011**
Other current liabilities	**$ 2**	$ 2
Accrued pension and other post-retirement benefit obligations	**222**	231
Total allocated accrued pension and other post-retirement benefit obligations	**$ 224**	$ 233

Amounts related to transactions with related parties included in the Condensed Consolidated Statements of Operations and Comprehensive Income are presented in the following table:

	Three Months Ended		**Six Months Ended**	
(in millions)	**June 30, 2012**	**June 30, 2011**	**June 30, 2012**	**June 30, 2011**
Corporate governance and shared service expenses[(a)]	**$ 98**	$ 99	**$ 199**	$ 206
Indemnification coverages[(b)]	**$ 2**	$ 2	**$ 4**	$ 4
Rental income and other charged expenses, net[(c)]	**$**	$ 2	**$ (1)**	$ 3
Interest expense on money pool[(d)]	**$ 1**	$	**$ 1**	$
CRC interest income[(e)]	**$ 1**	$ 3	**$ 3**	$ 7

(a) Duke Energy Indiana is charged its proportionate share of corporate governance and other costs by an unconsolidated affiliate that is a consolidated affiliate of Duke Energy. Corporate governance and other shared services costs are primarily related to human resources, employee benefits, legal and accounting fees, as well as other third party costs. These amounts are recorded in Operation, Maintenance and Other within Operating Expenses on the Condensed Consolidated Statements of Operations and Comprehensive Income.

(b) Duke Energy Indiana incurs expenses related to certain indemnification coverages through Bison, Duke Energy's wholly-owned captive insurance subsidiary. These expenses are recorded in Operation, Maintenance and Other within Operating Expenses on the Condensed Consolidated Statements of Operations and Comprehensive Income.

(c) Duke Energy Indiana records income associated with the rental of office space to a consolidated affiliate of Duke Energy, as well as its proportionate share of certain charged expenses from affiliates of Duke Energy.

(d) Recorded in Interest Expense on the Condensed Consolidated Statements of Operations and Comprehensive Income. See Note 6 for additional information related to money pool.

(e) As discussed in Note 11, certain trade receivables have been sold by Duke Energy Indiana to CRC, an unconsolidated entity formed by a subsidiary of Duke Energy. The proceeds obtained from the sales of receivables are largely cash but do include a subordinated note from CRC for a portion of the purchase price. The interest income associated with the subordinated note is recorded in Other Income and Expenses, net on the Condensed Consolidated Statements of Operations and Comprehensive Income.

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DUKE ENERGY CORPORATION - DUKE ENERGY CAROLINAS, LLC - DUKE ENERGY OHIO, INC. - DUKE ENERGY INDIANA, INC.

Combined Notes To Unaudited Condensed Consolidated Financial Statements - (Continued)

In January 2012, Duke Energy Indiana recorded a non-cash equity transfer of $26 million on the purchase of Vermillion from Duke Energy Ohio. See Note 2 for further discussion.

18. New Accounting Standards

The following new accounting standards were adopted by the Duke Energy Registrants subsequent to June 30, 2011 and the impact of such adoption, if applicable, has been presented in the respective Condensed Consolidated Financial Statements of the Duke Energy Registrants:

ASC 220 — Comprehensive Income. In June 2011, the FASB amended the existing requirements for presenting comprehensive income in financial statements primarily to increase the prominence of items reported in other comprehensive income (OCI) and to facilitate the convergence of U.S. GAAP and IFRS. Specifically, the revised guidance eliminates the option previously provided to present components of OCI as part of the statement of changes in stockholders' equity. Accordingly, all non-owner changes in stockholders' equity are required to be presented either in a single continuous statement of comprehensive income or in two separate but consecutive financial statements. For the Duke Energy Registrants, this revised guidance was effective on a retrospective basis for interim and annual periods beginning January 1, 2012. The adoption of this standard changed the presentation of the Duke Energy Registrants' financial statements but did not affect the calculation of net income, comprehensive income or earnings per share.

ASC 820 — Fair Value Measurements and Disclosures. In May 2011, the FASB amended existing requirements for measuring fair value and for disclosing information about fair value measurements. This revised guidance results in a consistent definition of fair value, as well as common requirements for measurement and disclosure of fair value information between U.S. GAAP and International Financial Reporting Standards (IFRS). In addition, the amendments set forth enhanced disclosure requirements with respect to recurring Level 3 measurements, nonfinancial assets measured or disclosed at fair value, transfers between levels in the fair value hierarchy, and assets and liabilities disclosed but not recorded at fair value. For the Duke Energy Registrants, the revised fair value measurement guidance was effective on a prospective basis for interim and annual periods beginning January 1, 2012. The adoption of this new guidance did not have a significant impact on the Duke Energy Registrants disclosures or their consolidated results of operations, cash flows, or financial position.

ASC 350 — Intangibles–Goodwill and Other. In September 2011, the FASB amended existing goodwill impairment testing accounting guidance to provide an entity testing goodwill for impairment with the option of performing a qualitative assessment prior to calculating the fair value of a reporting unit in step one of a goodwill impairment test. Under this revised guidance, a qualitative assessment would require an evaluation of economic, industry, and company-specific considerations. If an entity determines, on a basis of such qualitative factors, that the fair value of a reporting unit is more likely than not less than the carrying

value of a reporting unit, then step one and if necessary, step two of the impairment test must be performed. Otherwise, no further impairment testing would be required. The revised goodwill impairment testing accounting guidance is effective for the Duke Energy Registrants' annual and interim goodwill impairment tests performed for fiscal years beginning January 1, 2012, with early adoption of this revised guidance permitted for annual and interim goodwill impairment tests performed as of a date before September 15, 2011. Since annual goodwill impairment tests are performed by Duke Energy as of August 31, the Duke Energy Registrants early adopted this revised accounting guidance during the third quarter of 2011 and applied that guidance to their annual goodwill impairment tests for 2011.

The following new Accounting Standards Updates (ASU) have been issued, but have not yet been adopted by Duke Energy, as of June 30, 2012.

ASC 210—Balance Sheet. In December 2011, the FASB issued revised accounting guidance to amend the existing disclosure requirements for offsetting financial assets and liabilities to enhance current disclosures, as well as to improve comparability of balance sheets prepared under U.S. GAAP and IFRS. The revised disclosure guidance affects all companies that have financial instruments and derivative instruments that are either offset in the balance sheet (i.e., presented on a net basis) or subject to an enforceable master netting arrangement and/or similar agreement. The revised guidance requires that certain enhanced quantitative and qualitative disclosures be made with respect to a company's netting arrangements and/or rights of setoff associated with its financial instruments and/or derivative instruments including associated collateral. For the Duke Energy Registrants, the revised disclosure guidance is effective on a retrospective basis for interim and annual periods beginning January 1, 2013. Other than additional disclosures, this revised guidance does not impact the consolidated results of operations, cash flows or financial position of Duke Energy.

19. Subsequent Events

For information on subsequent events related to acquisitions and sales of other assets, regulatory matters, commitments and contingencies, and earnings per share see Notes 2, 4, 5 and 12, respectively.

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DUKE ENERGY CORPORATION - DUKE ENERGY CAROLINAS, LLC - DUKE ENERGY OHIO, INC. -

DUKE ENERGY INDIANA, INC.

Combined Notes To Unaudited Condensed Consolidated Financial Statements - (Continued)

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

INTRODUCTION

Duke Energy

Duke Energy Corporation (collectively with its subsidiaries, Duke Energy) is an energy company headquartered in Charlotte, North Carolina. Duke Energy operates in the United States (U.S.) primarily through its wholly owned subsidiaries, Duke Energy Carolinas, LLC (Duke Energy Carolinas), Duke Energy Ohio, Inc. (Duke Energy Ohio), which includes Duke Energy Kentucky, Inc. (Duke Energy Kentucky), and Duke Energy Indiana, Inc. (Duke Energy Indiana), as well as in Latin America through International Energy.

Management's Discussion and Analysis includes financial information prepared in accordance with generally accepted accounting principles (GAAP) in the U.S., as well as certain non-GAAP financial measures such as adjusted earnings and adjusted earnings per share (EPS), discussed below. Generally, a non-GAAP financial measure is a numerical measure of financial performance, financial position or cash flows that excludes (or includes) amounts that are included in (or excluded from) the most directly comparable measure calculated and presented in accordance with GAAP. The non-GAAP financial measures should be viewed as a supplement to, and not a substitute for, financial measures presented in accordance with GAAP. Non-GAAP measures as presented herein may not be comparable to similarly titled measures used by other companies.

When discussing Duke Energy's consolidated financial information, it necessarily includes the results of its three separate subsidiary registrants, Duke Energy Carolinas, Duke Energy Ohio and Duke Energy Indiana (collectively referred to as the Subsidiary Registrants), which, along with Duke Energy, are collectively referred to as the Duke Energy Registrants. The following combined Management's Discussion and Analysis of Financial Condition and Results of Operations is separately filed by Duke Energy, Duke Energy Carolinas, Duke Energy Ohio and Duke Energy Indiana. However, none of the registrants makes any representation as to information related solely to Duke Energy or the Subsidiary Registrants of Duke Energy other than itself. The Duke Energy Registrants, as defined above, does not include Progress Energy, Inc., Progress Energy Carolinas or Progress Energy Florida, unless otherwise noted.

Management's Discussion and Analysis should be read in conjunction with the Unaudited Condensed Consolidated Financial Statements and Notes.

Merger with Progress Energy

Description of Transaction

On July 2, 2012, Duke Energy completed the merger contemplated by the Agreement and Plan of Merger (Merger Agreement), among Diamond Acquisition Corporation, a North Carolina corporation and Duke Energy's wholly owned subsidiary (Merger Sub) and Progress Energy, Inc. (Progress Energy), a North Carolina corporation engaged in the regulated utility business of generation, transmission and distribution and sale of electricity in portions of North Carolina, South Carolina and Florida. As a result of the merger, Merger Sub was merged into Progress Energy and Progress Energy became a wholly owned subsidiary of Duke Energy.

The merger between Duke Energy and Progress Energy provides increased scale and diversity with potentially enhanced access to capital over the long-term and a greater ability to undertake the significant construction programs necessary to respond to increasing environmental regulation, plant retirements and customer demand growth. Duke Energy's business risk profile is expected to improve over-time due to the increased proportion of the business that is regulated. Additionally, cost savings, efficiencies and other benefits are expected from the combined operations.

Immediately preceding the merger, Duke Energy completed a one-for-three reverse stock split with respect to the issued and outstanding shares of Duke Energy common stock. The shareholders of Duke Energy approved the reverse stock split at Duke Energy's special meeting of shareholders held on August 23, 2011. All share and per share amounts presented herein reflect the impact of the one-for-three reverse stock split.

Progress Energy's shareholders received 0.87083 shares of Duke Energy common stock in exchange for each share of Progress Energy common stock outstanding as of July 2, 2012. Generally, all outstanding Progress Energy equity-based compensation awards were converted into Duke Energy equity-based compensation awards using the same ratio. The merger was structured as a tax-free exchange of shares.

Merger Related Regulatory Matters

Federal Energy Regulatory Commission (FERC).On June 8, 2012, the FERC conditionally approved the merger including Duke Energy and Progress Energy's revised market power mitigation plan, the Joint Dispatch Agreement (JDA) and the joint Open Access Transmission Tariff (OATT). The revised market power mitigation plan provides for the construction of seven transmission projects (Long-term FERC Mitigation) and interim firm power sale agreements during the construction of the transmission projects (Interim FERC Mitigation). The Long-term FERC Mitigation is estimated to cost approximately $110 million, excluding one project previously planned to be constructed by Progress Energy Carolinas. The Long-term FERC Mitigation plan will increase power imported into the Duke Energy Carolinas and Progress Energy Carolinas service areas and enhance competitive power supply options in the service areas. The construction of these projects will occur over the next two to three years. In conjunction with the Interim FERC Mitigation plan, Duke Energy Carolinas and Progress Energy Carolinas entered into power sale agreements that were effective with the consummation of the merger. These agreements, or similar power sale agreements, will be in place until the Long-term FERC Mitigation is operational. The agreements are for around the clock delivery of power during the winter and summer in quantities that vary by season and by peak period.

The FERC order requires an independent party to monitor whether the power sale agreements remain in effect during construction of the transmission projects and provide quarterly reports to the FERC regarding the status of construction of the transmission projects.

- On June 25, 2012, Duke Energy and Progress Energy accepted the conditions imposed by the FERC.

- On July 10, 2012, certain intervenors requested a rehearing seeking to overturn the June 8, 2012 order by the FERC.

North Carolina Utilities Commission (NCUC) and Public Service Commission of South Carolina (PSCSC). In September 2011, Duke Energy and Progress Energy reached settlements with the Public Staff of the North Carolina Utilities Commission (NC Public Staff) and the South Carolina Office of Regulatory Staff (ORS) and certain other interested parties in connection with the regulatory proceedings related to the merger, the JDA and the OATT that were pending before the NCUC and PSCSC. These settlements were updated in May 2012 to reflect the results of ongoing merger related applications pending before the FERC. As part of these settlements and the application for approval of the merger by the NCUC and PSCSC, Duke Energy Carolinas and Progress Energy Carolinas agreed to the conditions and obligations listed below.

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- Guarantee of $650 million in system fuel and fuel-related savings over 60 to 78 months for North Carolina and South Carolina retail customers. The savings are expected to be achieved through coal blending, coal commodity and transportation savings, gas transportation savings and the joint dispatch of Duke Energy Carolinas and Progress Energy Carolinas generation fleets.

- Duke Energy Carolinas and Progress Energy Carolinas will not seek recovery from retail customers for the cost of Long-term FERC Mitigation for five years following merger consummation. After five years, Duke Energy Carolinas and Progress Energy Carolinas may seek to recover the costs of the Long-term FERC Mitigation, but must show that the projects are needed to provide adequate and reliable retail service regardless of the merger.

- A $65 million rate reduction over the term of the Interim FERC Mitigation to reflect the cost of capacity not available to Duke Energy Carolinas and Progress Energy Carolinas retail customers during the Interim FERC Mitigation. The rate reduction will be achieved through a rider and will be apportioned between Duke Energy Carolinas and Progress Energy Carolinas retail customers.

- Duke Energy Carolinas and Progress Energy Carolinas will not seek recovery from retail customers for any revenue shortfalls or fuel-related costs associated with the Interim FERC Mitigation. The Interim FERC Mitigation agreements were in a loss position for Duke Energy as of the date of the merger consummation.

- Duke Energy Carolinas and Progress Energy Carolinas will not seek recovery from retail customers for any of their allocable share of merger related severance costs.

- Duke Energy Carolinas and Progress Energy Carolinas will provide community support through charitable contributions for four years, workforce development, low income energy assistance, and green energy assistance at a total cost of approximately $100 million, which cannot be recovered from retail customers.

- Duke Energy Carolinas and Progress Energy Carolinas will abide by revised North Carolina Regulatory Conditions and Code of Conduct governing their operations.

On June 29, 2012, the NCUC approved the merger application and the JDA application with conditions that were reflective of the settlement agreements described above. On July 2, 2012, the PSCSC approved the JDA application subject to Duke Energy Carolinas and Progress Energy Carolinas providing their South Carolina retail customers pro rata benefits equivalent to those approved by the NCUC in its merger approval order.

On July 6, 2012, the NCUC issued an order initiating investigation and scheduling hearings on the Duke Energy board of directors' decision on July 2, 2012, to replace William D. Johnson with James E. Rogers as president and CEO of Duke Energy subsequent to the merger close. See Note 4 for further information.

Kentucky Public Service Commission. On June 24, 2011, Duke Energy and Progress Energy filed a settlement agreement with the Kentucky Attorney General. On August 2, 2011, the KPSC issued an order conditionally approving the merger and required Duke Energy and Progress Energy to accept all conditions contained in the order. Duke Energy and Progress Energy requested and were granted rehearing on the limited issue of the wording of one condition relating to the composition of Duke Energy's post-merger board of directors. On October 28, 2011, the KPSC issued its order approving a settlement with the Kentucky

Attorney General on the revised condition relating to the composition of the post-merger Duke Energy board. Duke Energy and Progress Energy filed their acceptance of the condition on November 2, 2011. Duke Energy Kentucky agreed to (i) not file new gas or electric base rate applications for two years from the date of the KPSC's final order in the merger proceedings, (ii) make five annual shareholder contributions of $165,000 each to support low-income weatherization efforts and economic development within Duke Energy Kentucky's service territory and (iii) not seek recovery from retail customers for any of their allocable share of merger related costs.

Accounting Charges to be Recognized Related to the Merger Consummation

Duke Energy anticipates recording charges of approximately $450 million to $550 million in the second half of 2012 associated with the merger. This estimate includes the costs of the Long-term FERC Mitigation plan, Interim FERC Mitigation, the retail rate reduction associated with Interim FERC Mitigation, employee severance, obligations to provide community support and merger transaction expenses. The majority of these charges will be recognized by Duke Energy Carolinas and Progress Energy Carolinas. See Note 15 for further information related to employee severance expenses.

Duke Energy also expects to incur significant system integration and other merger-related transition costs primarily through 2014 that are necessary in order to achieve certain cost savings, efficiencies and other benefits anticipated to result from the merger with Progress Energy.

RESULTS OF OPERATIONS

In this section, Duke Energy provides analysis and discussion of earnings and factors affecting earnings on both a GAAP and non-GAAP basis.

Management evaluates financial performance in part based on the non-GAAP financial measure, adjusted earnings and adjusted diluted EPS, which are measured as income from continuing operations after deducting income attributable to noncontrolling interests, adjusted for the dollar and per-share impact of special items and the mark-to-market impacts of economic hedges in the Commercial Power segment. Special items represent certain charges and credits, which management believes will not be recurring on a regular basis, although it is reasonably possible such charges and credits could recur. Mark-to-market adjustments reflect the mark-to-market impact of derivative contracts, which is recognized in GAAP earnings immediately as such derivative contracts do not qualify for hedge accounting or regulatory accounting treatment, used in Duke Energy's hedging of a portion of economic value of its generation assets in the Commercial Power segment. The economic value of the generation assets is subject to fluctuations in fair value due to market price volatility of the input and output commodities (e.g., coal, power) and, as such, the economic hedging involves both purchases and sales of those input and output commodities related to the generation assets. Because the operations of the generation assets are accounted for under the accrual method, management believes that excluding the impact of mark-to-market changes of the economic hedge contracts from operating earnings until settlement better matches the financial impacts of the hedge contract with the portion of economic value of the underlying hedged asset. Management believes that the presentation of adjusted earnings and adjusted diluted EPS provide useful information to investors, as it provides them an additional relevant comparison of Duke Energy's performance across periods. Management uses these non-GAAP financial measures for planning and forecasting and for reporting results to the Board of Directors, employees, shareholders, analysts and investors concerning Duke Energy's financial performance. The most directly comparable GAAP measures for adjusted earnings and adjusted diluted EPS are net income and diluted EPS attributable to Duke Energy common shareholders, which include the dollar and per-share impact of special items, the mark-to-market impacts of economic hedges in the Commercial Power segment and discontinued operations.

Executive Overview

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The following tables reconcile adjusted earnings to GAAP net income attributable to Duke Energy and adjusted diluted EPS to GAAP diluted EPS attributable to Duke Energy:

	Three Months Ended June 30,			
	2012		2011	
(in millions, except per-share amounts)	**Amount**	**EPS**	**Amount**	**EPS**
Total Adjusted Earnings	$ **456**	**$ 1**	$ 439	$ 1
Economic Hedges (Mark-to-Market), net of tax	**(4)**	**(0)**		
Costs to Achieve Progress Energy Merger, net of tax	**(7)**	**(0)**	(4)	(0)
Income from Discontinued Operations, net of tax	**(1)**			
Net Income Attributable to Duke Energy	$ **444**	**$ 0.99**	$ 435	$ 0.98

For the three months ended June 30, 2012, adjusted earnings attributable to Duke Energy were $456 million, or $1.02 per diluted share, compared to adjusted earnings of $439 million or $0.99 per diluted share, for the same period in 2011. The increase as compared to the prior period was primarily due to:

- Implementation of revised rates in North Carolina and South Carolina,
- Lower operation and maintenance costs; and
- Midwest coal stability charge revenues.

Partially offset by:

- Lower non-regulated Midwest coal generation volumes and margin, net of 2012 capacity revenues,
- Higher depreciation and amortization expense,
- Unfavorable results in Central America, and
- Unfavorable weather.

	Six Months Ended June 30,			
	2012		2011	
(in millions, except per-share amounts)	**Amount**	**EPS**	**Amount**	**EPS**
Total Adjusted Earnings	$ **962**	**$ 2.16**	$ 962	$ 2.17
	(3)	**(0.01)**	(3)	(0.01)

Economic Hedges (Mark-to-Market), net of tax				
Edwardsport Impairment, net of tax	**(268)**	**(0.60)**		
Voluntary Opportunity Plan Deferral, net of tax	**60**	**0.13**		
Costs to Achieve Progress Energy Merger, net of tax	**(13)**	**(0.03)**	(13)	(0.03)
Income from Discontinued Operations, net of tax	**1**			
Net Income Attributable to Duke Energy	$ **739**	**$ 1.65**	$ 946	$ 2.13

For the six months ended June 30, 2012, adjusted earnings attributable to Duke Energy were $962 million, or $2.16 per diluted share, compared to adjusted earnings of $962 million or $2.17 per diluted share, for the same period in 2011. The activity as compared to the prior period is primarily due to:

- Unfavorable weather across all jurisdictions,
- Lower non-regulated Midwest coal generation volumes and margin, net of 2012 capacity revenues, and
- Higher depreciation and amortization.

Partially offset by:

- Implementation of revised rates in North Carolina and South Carolina,
- Lower operation and maintenance costs, and
- Midwest coal stability charge.

Segment Results

Effective with the first quarter of 2012, management began evaluating segment performance based on segment income. Segment income is defined as income from continuing operations net of income attributable to noncontrolling interests. Segment Income, as discussed below, includes intercompany revenues and expenses that are eliminated in the Condensed Consolidated Financial Statements. In conjunction with management's use of the new reporting measure, certain governance costs that were previously unallocated have now been allocated to each of the segments. In addition, direct interest expense and income taxes are included in segment income. Prior year financial information has been recast to conform to the current year presentation. None of these changes impacts the reportable operating segments or the Duke Energy Registrants' previously reported consolidated revenues, net income or EPS.

See Note 3 to the Unaudited Condensed Consolidated Financial Statements, "Business Segments," for a discussion of Duke Energy's segment structure.

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Duke Energy's segment income may not be comparable to a similarly titled measure of another company because other entities may not calculate segment income in the same manner. Segment income is summarized in the following table, and detailed discussions follow.

Segment Income by Business Segment

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	**2012**	**2011**	**2012**	**2011**
USFE&G	**$ 337**	$ 297	**$ 473**	$ 638
Commercial Power	**28**	30	**59**	79
International Energy	**105**	127	**247**	255
Total reportable segment net income	**470**	454	**779**	972
Other	**(25)**	(19)	**(41)**	(26)
Discontinued Operations	**(1)**		**1**	
Net Income Attributable to Duke Energy	**$ 444**	$ 435	**$ 739**	$ 946

USFE&G

USFE&G includes the regulated operations of Duke Energy Carolinas, Duke Energy Ohio and Duke Energy Indiana.

	Three Months Ended June 30,			Six Months Ended June 30,		
(in millions, except where noted)	**2012**	**2011**	**Increase (Decrease)**	**2012**	**2011**	**Increase (Decrease)**
Operating revenues	**$ 2,697**	$ 2,549	$ 148	**$ 5,365**	$ 5,232	$ 133
Operating expenses	**2,099**	2,042	57	**4,481**	4,123	358
Gains on sales of other assets and other, net	**3**	1	2	**7**	1	6
Operating income	**601**	508	93	**891**	1,110	(219)
Other income and expenses, net	**62**	67	(5)	**124**	129	(5)
Interest expense	**143**	134	9	**289**	274	15
Income before income taxes	**520**	441	79	**726**	965	(239)
Income tax expense	**183**	144	39	**253**	327	(74)
Segment Income	**$ 337**	$ 297	$ 40	**$ 473**	$ 638	$ (165)
Duke Energy Carolinas' GWh sales[a]	**19,574**	20,210	(636)	**39,035**	40,794	(1,759)
Duke Energy Midwest's GWh sales[a][b]	**14,234**	13,917	317	**28,557**	28,689	(132)
Net proportional MW capacity in operation[c]				**27,145**	26,907	238

(a) Gigawatt-hours (GWh).

(b) Duke Energy Ohio (Ohio transmission and distribution only), Duke Energy Indiana and Duke Energy Kentucky collectively referred to as Duke Energy Midwest within this USFE&G segment discussion.

(c) Megawatt (MW).

The following table shows the percent changes in GWh sales and average number of customers for the current three and six month periods compared to the same periods in the prior year. Except as otherwise noted, the below percentages represent billed sales only and are not weather normalized.

Duke Energy Carolinas

Increase (decrease) over prior year	Three Months Ended June 30, 2012	Six Months Ended June 30, 2012
Residential sales[a]	(8.2%)	(11.5%)
General service sales[a]	(0.1%)	(0.8%)
Industrial sales[a]	1.2%	1.5%
Wholesale power sales	(16.8%)	(17.8%)
Total Duke Energy Carolinas sales[b]	(3.1%)	(4.3%)
Average number of customers	0.6%	0.5%

(a) Major components of Duke Energy Carolinas' retail sales.

(b) Consists of all components of Duke Energy Carolinas' sales, including all billed and unbilled retail sales, and wholesale sales to incorporated municipalities and to public and private utilities and power marketers.

Duke Energy Midwest

Increase (decrease) over prior year	Three Months Ended June 30, 2012	Six Months Ended June 30, 2012
Residential sales[a]	(5.6%)	(9.3%)
General service sales[a]	(0.8%)	(2.8%)
Industrial sales[a]	2.0%	2.1%
Wholesale power sales	3.3%	(0.1%)
Total Duke Energy Midwest sales[b]	2.3%	(0.5%)
Average number of customers	0.5%	0.5%

(a) Major components of Duke Energy Midwest's retail sales.

(b) Consists of all components of Duke Energy Midwest's sales, including all billed and unbilled retail sales, and wholesale sales to incorporated municipalities and to public and private utilities and power marketers.

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Three Months Ended June 30, 2012 as Compared to June 30, 2011

Operating Revenues. The increase was driven primarily by:

- A $111 million net increase in retail rates and rate riders primarily due to revised retail rates resulting from the 2011 North Carolina and South Carolina rate cases implemented in the first quarter of 2012, and revenues recognized for the energy efficiency programs; and

- A $71 million increase in fuel revenues (including emission allowances) driven primarily by higher fuel rates for electric retail customers in all regions and higher revenues in Ohio for purchases of power as a result of the new Ohio Electric Security Plan (ESP) which became effective January 1, 2012, partially offset by decreased demand from electric retail customers mainly due to less favorable weather conditions, and lower natural gas fuel rates in Ohio and Kentucky. Fuel revenues represent sales to retail and wholesale customers.

Partially offsetting these increases was:

- A $35 million decrease in electric sales (net of fuel) to retail customers due to overall less favorable weather conditions in 2012 compared to the same period in 2011. For the Carolinas, cooling degree days for the second quarter of 2012 were 5% above normal as compared to 31% above normal during the same period in 2011. For the Midwest, cooling degree days for the second quarter of 2012 were 37% above normal as compared to 17% above normal during the same period in 2011.

Operating Expenses. The increase was driven primarily by:

- A $61 million increase in fuel expense (including purchased power and natural gas purchases for resale) primarily related to higher purchases of power in Ohio (as a result of the new Ohio ESP), higher volumes of natural gas used in electric generation, higher coal prices, higher purchased power costs in the Carolinas and Indiana, partially offset by lower volume of coal used in electric generation resulting from less favorable weather conditions and lower coal-fired generation due to low natural gas prices, and lower prices for natural gas used in electric generation; and

- A $29 million increase in depreciation and amortization primarily due to increases in depreciation as a result of additional plant in service and amortization of regulatory assets.

Partially offsetting these increases was:

- A $37 million decrease in operating and maintenance expense primarily due to lower storm costs, partially offset by increased costs associated with the energy efficiency programs.

Income Tax Expense. The increase is primarily due to the increase in pretax income. The effective tax rate for the three months ended June 30, 2012 and 2011 was 35.1% and 32.6%, respectively. The change in the effective tax rate is primarily due to a reduction in prior year state deferred tax liabilities.

Segment Income. The increase resulted primarily from higher net retail pricing and rate riders, and a decrease in operating and maintenance expenses. These positive impacts were partially offset by higher income tax expense, less favorable weather, and increased depreciation and amortization.

Six Months Ended June 30, 2012 as Compared to June 30, 2011

Operating Revenues. The increase was driven primarily by:

- A $189 million net increase in retail rates and rate riders primarily due to revised retail rates resulting from the 2011 North Carolina and South Carolina rate cases implemented in the first quarter of 2012, and revenues recognized for the energy efficiency programs; and

- An $60 million increase in fuel revenues (including emission allowances) driven primarily by higher revenues in Ohio for purchases of power as a result of the new Ohio ESP, higher fuel rates for electric retail customers in all jurisdictions, and higher revenues for purchases of power in Indiana and the Carolinas, partially offset by decreased demand from electric retail customers in 2012 compared to the same period in 2011 mainly due to unfavorable weather conditions, and lower demand and fuel rates in Ohio and Kentucky from natural gas retail customers . Fuel revenues represent sales to retail and wholesale customers.

Partially offsetting these increases was:

- A $119 million decrease in electric and gas sales (net of fuel) to retail customers due to unfavorable weather conditions in 2012 compared to the same period in 2011. For the Carolinas, weather statistics for cooling degree days in 2012 were less favorable compared to the same period in 2011, while cooling degree days in the Midwest were favorable in 2012 compared to the same period in 2011. For the Carolinas and Midwest, weather statistics for heating degree days in 2012 were unfavorable compared to the same period in 2011.

Operating Expenses. The increase was driven primarily by:

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- A $420 million increase due to 2012 impairment and other charges related to the Edwardsport integrated gasification combined cycle (IGCC) plant that is currently under construction. See Note 4 to the Unaudited Condensed Consolidated Financial Statements, "Regulatory Matters," for additional information;

- A $50 million increase in depreciation and amortization primarily due to increases in depreciation as a result of additional plant in service and amortization of regulatory assets; and

- An $44 million increase in fuel expense (including purchased power and natural gas purchases for resale) primarily related to higher purchases of power in Ohio (as a result of the new Ohio ESP), higher volumes of natural gas used in electric generation, higher coal prices, higher purchased power costs in Indiana and the Carolinas, partially offset by lower volume of coal used in electric generation resulting from unfavorable weather conditions and lower coal-fired generation due to low natural gas prices, lower prices for natural gas used in electric generation, and lower gas volumes and prices to full-service retail gas customers.

Partially offsetting these increases was:

- A $142 million decrease in operating and maintenance expense primarily due to the establishment of regulatory assets in the first quarter of 2012, pursuant to regulatory orders, for future recovery of certain employee severance costs related to the 2010 voluntary severance plan and other costs, and lower storm costs, partially offset by increased costs associated with the energy efficiency programs.

Interest Expense. The increase was primarily driven by higher debt balances in 2012.

Income tax expense. The decrease is primarily due to the decrease in pretax income. The effective tax rate for the six months ended June 30, 2012 and 2011 was 34.9% and 33.9%, respectively. The change in the effective tax rate is primarily due to a decrease in AFUDC in 2012.

Segment Income. The decrease resulted primarily from the 2012 impairment and other charges related to the Edwardsport IGCC plant, unfavorable weather, and increased depreciation and amortization. These negative impacts were partially offset by higher net retail pricing and rate riders, a decrease in operating and maintenance expenses, and lower income tax expense.

Matters Impacting Future USFE&G Results

Results of USFE&G are impacted by the completion of its major generation fleet modernization projects. See Note 4 to the Condensed Consolidated Financial Statements, “Regulatory Matters,” for a discussion of the significant increase in the estimated cost of the 618 MW IGCC plant at Duke Energy Indiana’s Edwardsport Generating Station (Edwardsport IGCC). Additional updates to the cost estimate could occur through the completion of the plant in 2013. On April 30, 2012, Duke Energy Indiana entered into a settlement agreement with certain intervenors to cap the construction cost recoverable in retail rates which resulted in the recognition of a $420 million pre-tax charge to earnings in the first quarter of 2012. The agreement is subject to approval by the IURC, a final order is expected by the end of 2012. Duke Energy Indiana is unable to predict the ultimate outcome of these proceedings. In the event the IURC disallows a portion of the remaining plant costs, including financing costs, or if cost estimates for the plant increase, additional charges to expense, which could be material, could occur.

See Item 1A, Risk Factors, for a discussion of significant uncertainties related to Progress Energy Florida's Crystal River Unit 3. The decision related to repairing or retiring Crystal River Unit 3 is complex and subject to a number of unknown factors, including but not limited to, the cost of repair and the likelihood of obtaining NRC approval to restart the reactor after repair. In addition, the scope and estimated costs of necessary repairs of the delamination of Crystal River Unit 3 could prove more extensive than is currently identified, such repairs could prove not to be feasible resulting in the retirement of the unit, the costs of repair and/or replacement power could exceed estimates and insurance coverage or may not be recoverable through the regulatory process; the occurrence of any of which could adversely affect USFE&G's financial condition, results of operations and cash flows.

Duke Energy Carolinas plans to file rate cases in North Carolina and South Carolina during 2012. Progress Energy Carolinas plans to file a rate case in North Carolina in 2012. Duke Energy Ohio filed electric and gas distribution rate cases in July 2012. These planned rates cases are needed to recover investments in Duke Energy's ongoing infrastructure modernization projects and operating costs. USFE&G's earnings could be adversely impacted if these rate cases are denied or delayed by any of the state regulatory commissions.

Duke Energy anticipates recording charges of approximately $450 million to $550 million in the second half of 2012 associated with the merger with Progress Energy. This estimate includes the costs of the Long-term FERC Mitigation plan, Interim FERC Mitigation, the retail rate reduction associated with Interim FERC Mitigation, employee severance, obligations to provide community support and merger transaction expenses. The majority of these costs will be recorded by USFE&G.

The ability to integrate Progress Energy businesses and realize cost savings and any other synergies expected from the merger with Progress Energy could be different from what USFE&G expects and may have a significant impact on USFE&G's results of operations.

Commercial Power

	Three Months Ended June 30,			Six Months Ended June 30,		
(in millions, except where noted)	**2012**	**2011**	**Increase (Decrease)**	**2012**	**2011**	**Increase (Decrease)**
Operating revenues	**$ 502**	$ 595	$ (93)	**$ 1,082**	$ 1,239	$ (157)
Operating expenses	**460**	550	(90)	**990**	1,114	(124)
Gains on sales of other assets and other, net	**1**	11	(10)	**1**	13	(12)
Operating income	**43**	56	(13)	**93**	138	(45)
Other income and expenses, net	**17**	9	8	**25**	17	8
Interest expense	**22**	22		**41**	46	(5)
Income before income taxes	**38**	43	(5)	**77**	109	(32)
Income tax expense	**10**	6	4	**18**	23	(5)
Less: Income attributable to noncontrolling interests		7	(7)		7	(7)
Segment Income	**$ 28**	$ 30	$ (2)	**$ 59**	$ 79	$ (20)

Actual coal-fired plant production, GWh	**3,299**	3,716	(417)	**7,367**	8,407	(1,040)
Actual gas-fired plant production, GWh	**4,513**	2,512	2,001	**9,096**	5,221	3,875
Actual renewable plant production, GWh	**786**	844	(58)	**1,784**	1,741	43
Net proportional MW capacity in operation				**7,757**	8,273	(516)

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Three Months Ended June 30, 2012 as Compared to June 30, 2011

Operating Revenues. The decrease was driven primarily by:

- A $59 million decrease in electric revenues from the coal-fired generation assets driven primarily by the expiration of the 2009-2011 ESP which dedicated Commercial Power's coal-fired generation to Duke Energy Ohio's retail customers, net of stability charge revenues, partially offset by the coal-fired generation assets participating in the PJM Interconnection, LLC (PJM) wholesale energy market in 2012;

- A $35 million decrease in electric revenues from Duke Energy Retail Sales, LLC (Duke Energy Retail) resulting from lower volumes and unfavorable pricing; and

- A $12 million decrease in electric revenues from the gas-fired generation assets driven primarily by lower power prices partially offset by increased volumes.

Partially offsetting these decreases were:

- A $17 million increase from participation in competitive retail load auctions.

Operating Expenses. The decrease was driven primarily by:

- A $31 million decrease in operating expenses resulting primarily from lower 2012 transmission costs, lower expenses at the generating stations, and 2011 regulatory asset amortization expenses;

- A $25 million decrease in fuel expenses from the gas-fired generation assets driven by lower natural gas costs;

- A $15 million decrease due to the receipt of funds in 2012 related to a previously written off receivable associated with the Lehman Brothers bankruptcy;

- A $12 million decrease in fuel expenses from the coal-fired generation assets driven by lower production, partially offset by higher purchased power costs; and

- A $9 million decrease due to the impairment of the Vermillion station in the second quarter of 2011.

Gains on Sales of Other Assets and Other, net. The decrease in 2012 as compared to 2011 is attributable to 2011 gains on sales of certain assets resulting from a contract termination.

Other Income and Expenses, net. The increase in 2012 as compared to 2011 is primarily due to equity earnings on the renewables portfolio.

Net Income Attributable to Noncontrolling interest. The decrease in 2012 as compared to 2011 is primarily attributable to the prior year recognition of expense for a partner's interest in the gain on a contract termination.

Segment Income. The decrease is primarily attributable to lower revenues driven by the expiration of the 2009-2011 ESP and the impact of competitive market dispatch for the Duke Energy Ohio coal-fired assets. These negative impacts were partially offset by 2012 PJM capacity revenues, and favorable earnings from the gas-fired generation assets.

Six Months Ended June 30, 2012 as Compared to June 30, 2011

Operating Revenues. The decrease was driven primarily by:

- A $131 million decrease in electric revenues from the coal-fired generation assets driven primarily by the expiration of the 2009-2011 ESP which dedicated Commercial Power's coal-fired generation to Duke Energy Ohio's retail customers, net of stability charge revenues, partially offset by the coal-fired generation assets participating in the PJM wholesale energy market in 2012;

- A $76 million decrease in electric revenues from Duke Energy Retail resulting from lower volumes and unfavorable pricing; and

- A $25 million decrease in electric revenues from DEGS, excluding renewables, due primarily to the termination of certain operations at the end of the first quarter of 2011 and a reduction of coal sales volumes as a result of lower natural gas prices.

Partially offsetting these decreases were:

- A $35 million increase from participation in competitive retail load auctions;

- A $28 million increase primarily due to PJM capacity revenues associated with the move of the coal-fired generation assets from MISO to PJM in 2012, net of a decrease related to lower average cleared capacity auction pricing in 2012 compared to 2011 for the gas-fired generation assets; and

- A $10 million increase in electric revenues from the gas-fired generation assets driven primarily by increased volumes partially offset by lower power prices.

Operating Expenses. The decrease was driven primarily by:

- A $46 million decrease in operating and maintenance expenses resulting primarily from higher prior year station outages, transmission costs, and regulatory asset amortization expenses;

- A $31 million decrease in fuel expenses from the gas-fired generation assets driven by lower natural gas costs, partially offset by higher volumes;

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- A $21 million decrease in DEGS, excluding renewables, fuel used due primarily to the termination of certain operations at the end of the first quarter of 2011 and from lower natural gas prices;

- A $15 million decrease due to the receipt of funds in 2012 related to a previously written off receivable associated with the Lehman Brothers bankruptcy; and

- A $12 million decrease in purchased power to serve Duke Energy Retail customers.

Gains on Sales of Other Assets and Other, net. The decrease in 2012 as compared to 2011 is attributable to 2011 gains on sales of certain assets resulting from a contract termination.

Other Income and Expenses, net. The increase in 2012 as compared to 2011 is primarily due to equity earnings on the renewables portfolio.

Income Tax Expense. The decrease is primarily due to lower pretax income. The effective tax rate for the six months ended June 30, 2012 and 2011 was 23.1% and 21.5%, respectively. The change in the effective tax rate is primarily due to the decrease in pretax income.

Segment Income. The decrease is primarily attributable to lower revenues driven by the expiration of the 2009-2011 ESP and the impact of competitive market dispatch for the Duke Energy Ohio coal-fired assets. These negative impacts were partially offset by higher PJM capacity revenues, and favorable earnings from the gas-fired generation assets.

Matters Impacting Future Commercial Power Results

Commercial Power's gas-fired non-regulated generation assets earn capacity revenues from PJM. PJM capacity prices are determined through an auction process for planning years from June through May of the following year and are conducted approximately three years in advance of the capacity delivery period. Capacity prices, for periods beginning June 2011 and continuing through May 2014 will be significantly lower than current and historical capacity prices. As a result, Commercial Power's operating revenues and segment income will be negatively impacted through 2014.

Changes or variability in assumptions used in calculating the fair value of the renewables reporting unit for goodwill testing purposes including but not limited to, legislative actions related to tax credit extensions and long-term growth rates, could significantly impact the estimated fair value of the renewables reporting unit. In the event of a significant decline in the estimated fair value of the renewables reporting unit, goodwill and other asset impairment charges could be recorded. The carrying value of goodwill, and intangible assets associated with proposed renewable projects within Commercial Power's renewables reporting unit was approximately $130 million at June 30, 2012.

International Energy

	Three Months Ended June 30,			Six Months Ended June 30,		
(in millions, except where noted)	**2012**	**2011**	**Increase (Decrease)**	**2012**	**2011**	**Increase (Decrease)**

Operating revenues	**$ 397**	$ 406	$ (9)	**$ 799**	$ 754	$ 45
Operating expenses	**257**	265	(8)	**502**	476	26
Operating income	**140**	141	(1)	**297**	278	19
Other income and expenses, net	**36**	55	(19)	**90**	114	(24)
Interest expense	**21**	11	10	**37**	27	10
Income before income taxes	**155**	185	(30)	**350**	365	(15)
Income tax expense	**46**	55	(9)	**95**	103	(8)
Less: Income attributable to noncontrolling interest	**4**	3	1	**8**	7	1
Segment Income	**$ 105**	$ 127	$ (22)	**$ 247**	$ 255	$ (8)
Sales, GWh	**4,882**	4,516	366	**9,956**	9,303	653
Proportional MW capacity in operation				**4,225**	4,190	35

Three Months Ended June 30, 2012 as Compared to June 30, 2011

Operating Revenues. The decrease was driven primarily by:

- A $26 million decrease in Central America due to lower average prices as a result of a regulatory change in El Salvador and unfavorable hydrology.

Partially offsetting these decreases was:

- A $10 million increase in Peru as a result of higher average energy prices and volumes;
- A $6 million increase in Argentina as a result of higher volumes due to favorable hydrology; and
- A $3 million increase in Brazil due to higher average prices, offset by unfavorable exchange rates.

Operating Expenses. The decrease was driven primarily by:

- A $7 million decrease in Brazil primarily due to favorable exchange rates and reversal of bad debt provision, offset by higher variable costs.

Other Income and Expenses, net. The decrease was primarily driven by a remeasurement loss on dividends in Brazil, and a decrease in equity earnings from National Methanol Company (NMC) due to lower average prices and sales volumes of methyl tertiary butyl ether (MTBE).

Interest Expense. The decrease was primarily due to lower capitalized interest.

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Income Tax Expense. The decrease is primarily due to the decrease in pretax income. The effective tax rate for the three months ended June 30, 2012 and 2011 was 29.5% and 29.4%, respectively.

Segment Income. The decrease was primarily due to lower average prices and volumes in Central America, unfavorable exchange rates in Brazil, and lower equity earnings from NMC. These negative impacts were partially offset by higher average prices and volumes in Peru and Brazil.

Six Months Ended June 30, 2012 as Compared to June 30, 2011

Operating Revenues. The increase was driven primarily by:

- A $24 million increase in Brazil due to higher average prices and volumes, offset by unfavorable exchange rates;

- A $19 million increase in Peru due to higher average energy prices and favorable exchange rates; and

- An $8 million increase in Argentina as a result of higher volumes due to favorable hydrology, offset by unfavorable exchange rates.

Partially offsetting these increases was:

- A $3 million decrease in Ecuador as a result of lower dispatch.

Operating Expenses. The increase was driven primarily by:

- A $29 million increase in Central America primarily due to higher purchased power and operating expenses on a project placed in service after second quarter 2011.

Other Income and Expenses, net. The decrease was primarily driven by the absence of prior year Peru arbitration award, partially offset by higher equity earnings in NMC due to higher average prices and sales volumes of MTBE.

Interest Expense. The decrease was primarily due to lower capitalized interest.

Income Tax Expense. The decrease is primarily due to the decrease in pretax income. The effective tax rate for the six months ended June 30, 2012 and 2011 was 27.1% and 28.1%, respectively.

Segment Income. The decrease was primarily due to the absence of a prior year Peru arbitration award, lower average prices and volumes in Central America, and unfavorable exchange rates in Brazil. These negative impacts were partially offset by higher average prices in Brazil and Peru, and higher equity earnings from NMC.

Other

	Three Months Ended June 30,	**Six Months Ended June 30,**

(in millions)	2012	2011	Increase (Decrease)	2012	2011	Increase (Decrease)
Operating revenues	**$ 16**	$ 9	$ 7	**$ 31**	$ 20	$ 11
Operating expenses	**14**	27	(13)	**30**	53	(23)
Losses on sales of other assets and other, net		(8)	8	**(1)**		(1)
Operating income (loss)	**2**	(26)	28		(33)	33
Other income and expenses, net	**(6)**	26	(32)	**(1)**	48	(49)
Interest expense	**46**	36	10	**89**	75	14
(Loss) income before income taxes	**(50)**	(36)	(14)	**(90)**	(60)	(30)
Income tax benefit	**(25)**	(13)	(12)	**(49)**	(28)	(21)
Less: (Loss) income attributable to noncontrolling interest		(4)	4		(6)	6
Net Expense	**$ (25)**	$ (19)	$ (6)	**$ (41)**	$ (26)	$ (15)

Three Months Ended June 30, 2012 as Compared to June 30, 2011

Operating Revenues. The increase was driven primarily by mark-to-market activity at Duke Energy Trading and Marketing, LLC (DETM).

Operating Expenses. The decrease was driven primarily by favorable loss experience at Bison and higher prior year donations.

Other Income and Expenses, net. The decrease was driven primarily by lower returns on investments that support benefit obligations in 2012 compared to 2011, a reversal of reserves related to certain guarantees Duke Energy had issued on behalf of Crescent in the prior year, higher interest income recorded in 2011 following the resolution of certain income tax matters related to prior years, and prior year net gains on sales of investments.

Interest Expense. The increase was due primarily to higher debt balances in the current year.

Income Tax Benefit. The increase is primarily due to the decrease in pretax income. The effective tax rate for the three months ended June 30, 2012 and 2011 was 50.0% and 34.8%, respectively.

Net Expense. The increase was due primarily to higher interest expense due to new debt issuances, lower returns on investments that support benefit obligations, a reversal of reserves related to certain guarantees. These negative impacts were partially offset by higher income tax benefit due to increased net expense.

Six Months Ended June 30, 2012 as Compared to June 30, 2011

Operating Revenues. The increase was driven primarily by mark-to-market activity at DETM.

Operating Expenses. The decrease was driven primarily by favorable loss experience at Bison, prior year donations, and lower costs related to the merger with Progress Energy.

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Other Income and Expenses, net. The decrease was driven primarily by lower returns on investments that support benefit obligations in 2012 compared to 2011, higher interest income recorded in 2011 following the resolution of certain income tax matters related to prior years, a reversal of reserves related to certain guarantees Duke Energy had issued on behalf of Crescent in the prior year, and current year impairments and prior year net gains on sales of investments.

Interest Expense. The increase was due primarily to higher debt balances in the current year.

Income Tax Benefit. The increase is primarily due to the decrease in pretax income. The effective tax rate for the six months ended June 30, 2012 and 2011 was 54.4% and 46.5%, respectively.

Net Expense. The increase was due primarily to higher interest expense due to new debt issuances, favorable tax resolutions in the prior year, unfavorable returns on investments that support benefit obligations, a reversal of reserves related to certain guarantees and current year impairments. These negative impacts were partially offset by higher income tax benefit due to increased net expense, mark-to-market activity at DETM and favorable loss experience at Bison.

Matters Impacting Future Other Results

Duke Energy previously held an effective 50% interest in Crescent, which was a real estate joint venture formed by Duke Energy in 2006 that filed for Chapter 11 bankruptcy protection in June 2009. On June 9, 2010, Crescent restructured and emerged from bankruptcy and Duke Energy forfeited its entire 50% ownership interest to Crescent debt holders. This forfeiture caused Duke Energy to recognize a loss, for tax purposes, on its interest in the second quarter of 2010. Although Crescent has reorganized and emerged from bankruptcy with creditors owning all Crescent interest, there remains uncertainty as to the tax treatment associated with the restructuring. Based on this uncertainty, it is possible that Duke Energy could incur a future tax liability related to the tax losses associated with its partnership interest in Crescent and the resolution of issues associated with Crescent’s emergence from bankruptcy.

DUKE ENERGY CAROLINAS

INTRODUCTION

Management’s Discussion and Analysis should be read in conjunction with Duke Energy Carolinas’s Unaudited Condensed Consolidated Financial Statements.

Duke Energy Carolinas is an indirect wholly owned subsidiary of Duke Energy. Duke Energy Carolinas is an electric utility company that generates, transmits, distributes and sells electricity in North Carolina and South Carolina.

BASIS OF PRESENTATION

The results of operations and variance discussion for Duke Energy Carolinas is presented in a reduced disclosure format in accordance with General Instruction H(2) of Form 10-Q.

	Six Months Ended June 30,		
(in millions)	**2012**	**2011**	**Increase (Decrease)**
Operating revenues	**$ 3,117**	$ 3,159	$ (42)
Operating expenses	**2,262**	2,466	(204)
Gains on sales of other assets and other, net	**6**	1	5
Operating income	**861**	694	167
Other income and expenses, net	**82**	92	(10)
Interest expense	**190**	171	19
Income before income taxes	**753**	615	138
Income tax expense	**276**	217	59
Net Income	**$ 477**	$ 398	$ 79

The increase in Duke Energy Carolinas' net income for the six months ended June 30, 2012 compared to June 30, 2011 was primarily due to the following factors:

Operating Revenues. The decrease was primarily due to:

- A $156 million decrease in fuel revenues driven primarily by decreased demand from retail customers mainly due to unfavorable weather conditions, partially offset by higher fuel rates in both North Carolina and South Carolina. Fuel revenues represent sales to retail and wholesale customers; and

- A $99 million (net of fuel) decrease in sales to retail customers due to unfavorable weather conditions. The number of heating degree days for the first half of 2012 was 25% below normal as compared to essentially flat to normal in 2011. In addition, cooling degree days for 2012 were 11% above normal compared to 32% above normal in 2011.

Partially offsetting these decreases were:

- A $193 million increase in net retail pricing and rate riders primarily due to revised retail base rates implemented in North Carolina and South Carolina in the first quarter of 2012, and revenues recognized for the energy efficiency programs; and

- A $14 million increase in weather adjusted sales volumes to customers primarily due to an extra day of revenues for leap year 2012.

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Operating Expenses. The decrease was primarily due to*:*

- A $158 million decrease in fuel expense (including purchased power) primarily related to lower volume of coal used in electric generation due to lower demand based on unfavorable weather conditions and lower coal-fired generation due to low natural gas prices; and

- A $122 million decrease in operating and maintenance expenses primarily due to the establishment of regulatory assets in the first quarter of 2012, pursuant to regulatory orders for future recovery of certain employee severance costs related to the 2010 voluntary severance plan and other costs coupled with decreased storm costs, partially offset by required donations resulting from the most recent North Carolina and South Carolina rate cases.

Partially offsetting these decreases were:

- A $63 million increase in depreciation and amortization primarily due to increases in depreciation as a result of additional plant in service and amortization of certain regulatory assets; and

- A $13 million increase in general taxes primarily due to a favorable prior year resolution of a property tax issue related to pollution control equipment exemptions, higher revenue related taxes in 2012 and a sales and use tax refund in 2011.

Other Income and Expenses, net. The decrease is primarily due to lower equity component of AFUDC.

Interest Expense. The increase is primarily due to lower debt return on deferred projects, lower debt component of AFUDC, and higher interest expense on long-term debt and certain income tax matters.

Income Tax Expense. The increase in income tax expense is primarily due to an increase in pretax income. The effective tax rate for the six months ended June 30, 2012 and 2011, was 36.7% and 35.3%, respectively. The increase in the effective tax rate is primarily due to the increase in pretax income and a decrease in AFUDC in 2012.

Matters Impacting Future Duke Energy Carolinas Results

Duke Energy Carolinas plans to file rate cases in North Carolina and South Carolina during 2012. These planned rates cases are needed to recover investments in Duke Energy Carolinas' ongoing infrastructure modernization projects and operating costs. Duke Energy Carolinas' earnings could be adversely impacted if these rate cases are denied or delayed by either of the state regulatory commissions.

Duke Energy anticipates recording charges of approximately $450 million to $550 million in the second half of 2012 associated with the merger with Progress Energy. This estimate includes the costs of the Long-term FERC Mitigation plan, Interim FERC Mitigation, the retail rate reduction associated with Interim FERC Mitigation, employee severance, obligations to provide community support and merger transaction expenses. A significant portion of these costs will be recorded by Duke Energy Carolinas.

The ability to integrate Progress Energy businesses and realize cost savings and any other synergies expected from the merger with Progress Energy could be different from what Duke Energy Carolinas

expects and may have a significant impact on Duke Energy Carolinas' results of operations.

DUKE ENERGY OHIO

INTRODUCTION

Management's Discussion and Analysis should be read in conjunction with Duke Energy Ohio's Unaudited Condensed Consolidated Financial Statements.

Duke Energy Ohio is an indirect wholly owned subsidiary of Duke Energy. Duke Energy Ohio's principal lines of business include generation, transmission and distribution of electricity, the sale of and/or transportation of natural gas, and energy marketing in parts of Ohio, Illinois and Pennsylvania.

BASIS OF PRESENTATION

The results of operations and variance discussion for Duke Energy Ohio is presented in a reduced disclosure format in accordance with General Instruction H(2) of Form 10-Q.

	Six Months Ended June 30,		
(in millions)	**2012**	**2011**	**Increase (Decrease)**
Operating revenues	**$ 1,629**	$ 1,573	$ 56
Operating expenses	**1,398**	1,381	17
Gains on sales of other assets and other, net	**2**	2	
Operating income	**233**	194	39
Other income and expenses, net	**8**	9	(1)
Interest expense	**49**	51	(2)
Income before income taxes	**192**	152	40
Income tax expense	**73**	46	27
Net Income	**$ 119**	$ 106	$ 13

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The increase in Duke Energy Ohio's net income for the six months ended June 30, 2012 compared to June 30, 2011 was primarily due to the following factors:

Operating Revenues. The increase was primarily driven by:

- A $116 million increase in regulated fuel revenues driven primarily by higher purchased power revenues collected under the new Ohio ESP which became effective January 1, 2012, partially offset by reduced gas sales volumes and lower natural gas costs;

- A $33 million increase in net mark-to-market revenues on non-qualifying power and capacity hedge contracts, consisting of mark-to-market gains of $22 million in 2012 compared to losses of $11 million in 2011;

- A $28 million increase primarily due to PJM capacity revenues associated with the move of the coal-fired generation assets from MISO to PJM in 2012, net of a decrease related to lower average cleared auction pricing in 2012 compared to 2011 for the gas-fired generation assets; and

- A $10 million increase in electric revenues from the gas-fired generation assets driven primarily by increased volumes, partially offset by lower power prices.

Partially offsetting these increases were:

- A $131 million decrease in electric revenues from the coal-fired generation assets driven primarily by the expiration of the 2009-2011 ESP, partially offset by the coal-fired generation assets participating in the PJM wholesale energy market.

Operating Expenses. The increase was primarily driven by:

- A $107 million increase in regulated fuel expense driven primarily by higher purchased power expense as a result of the new Ohio ESP, net of stability charge revenues, partially offset by reduced gas sales volumes and lower natural gas costs.

Partially offsetting these increases were:

- A $31 million decrease in fuel expense for the gas-fired generation assets driven by lower natural gas costs, partially offset by higher volumes;

- A $31 million decrease in operating and maintenance expenses resulting primarily from higher prior year station outages and regulatory asset amortization expense;

- A $15 million decrease due to the receipt of funds in 2012 related to a previously written off receivable associated with the Lehman Brothers bankruptcy; and

- A $13 million decrease in depreciation and amortization costs related to lower regulatory and software amortization.

Income Tax Expense. The increase in income tax expense is primarily due to an increase in pretax income. The effective tax rate for the six months ended June 30, 2012 and 2011, was 38.1% and 30.4%,

respectively. The increase in the effective tax rate is primarily due a reduction in prior year state deferred tax liabilities.

Matters Impacting Future Duke Energy Ohio Results

Duke Energy Ohio's gas-fired non-regulated generation assets earn capacity revenues from PJM. PJM capacity prices are determined through an auction process for planning years from June through May of the following year and are conducted approximately three years in advance of the capacity delivery period. Capacity prices, for periods beginning June 2011 and continuing through May 2014 will be significantly lower than current and historical capacity prices. As a result, Duke Energy Ohio's operating revenues and net income will be negatively impacted through 2014.

Duke Energy Ohio filed electric and gas distribution rate cases in July 2012. These planned rate cases are needed to recover capital investments and operating costs. Duke Energy Ohio's earnings could be adversely impacted if these rate cases are denied or delayed by the state regulatory commission.

DUKE ENERGY INDIANA

INTRODUCTION

Management's Discussion and Analysis should be read in conjunction with Duke Energy Indiana's Unaudited Condensed Consolidated Financial Statements.

Duke Energy Indiana is an indirect wholly owned subsidiary of Duke Energy. Duke Energy Indiana is an electric utility company that generates, transmits, distributes and sells electricity in north central, central and southern Indiana.

BASIS OF PRESENTATION

The results of operations and variance discussion for Duke Energy Indiana is presented in a reduced disclosure format in accordance with General Instruction H(2) of Form 10-Q.

	Six Months Ended June 30,		
(in millions)	**2012**	**2011**	**Increase (Decrease)**
Operating revenues	**$ 1,373**	$ 1,279	$ 94
Operating expenses	**1,511**	1,040	471
Operating (loss) income	**(138)**	239	(377)
Other income and expenses, net	**42**	44	(2)
Interest expense	**70**	70	
(Loss) income before income taxes	**(166)**	213	(379)
Income tax (benefit) expense	**(76)**	69	(145)
Net (loss) income	**$ (90)**	$ 144	$ (234)

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Duke Energy Indiana's net loss for the six months ended June 30, 2012 compared to net income for the six months ended June 30, 2011 was primarily due to the following factors:

Operating Revenues. The increase was primarily due to:

- A $100 million increase in fuel revenues (including emissions allowances) primarily due to increase in fuel rates as a result of higher fuel and purchased power costs; and

- A $10 million increase in rate pricing due to the positive impact on overall average prices of lower sales volumes.

Partially offsetting these increases were:

- An $8 million decrease in retail revenues related to unfavorable weather conditions in 2012 compared to 2011.

Operating Expenses. The increase was primarily due to:

- A $420 million increase due to 2012 impairment and other charges related to the Edwardsport IGCC plant that is currently under construction. See Note 4 to the Unaudited Condensed Consolidated Financial Statements, "Regulatory Matters," for additional information; and

- A $92 million increase in fuel costs primarily due to higher purchases of power (reflective of favorable market prices); and increased generation cost at coal plants due to higher generation levels.

Partially offsetting these increases were:

- A $32 million decrease in operation and maintenance primarily due to higher storm costs in the prior year, and lower generation and outage maintenance costs.

Income Tax (Benefit) Expense. The decrease in income tax (benefit) expense is primarily due to a decrease in pretax income. The effective tax rate for the six months ended June 30, 2012 and 2011, was 45.7% and 32.3%, respectively. The increase in the effective tax rate is primarily due to the decrease in pretax income resulting from the 2012 impairment and other charges related to the Edwardsport IGCC project.

Matters Impacting Future Duke Energy Indiana Results

Duke Energy Indiana results are impacted by the completion of its major generation fleet modernization project. See Note 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for a discussion of the significant increase in the estimated cost of the 618 MW Edwardsport IGCC plant. Additional updates to the cost estimate could occur through the completion of the plant in 2013. On April 30, 2012, Duke Energy Indiana entered into a settlement agreement with certain intervenors to cap the construction cost recoverable in retail rates which resulted in the recognition of a $420 million pre-tax charge to earnings in the first quarter of 2012. The agreement is subject to approval by the IURC, a final order is expected by the end of 2012. Duke Energy Indiana is unable to predict the ultimate outcome of

these proceedings. In the event the IURC disallows a portion of the remaining plant costs, including financing costs, or if the cost estimates for the plant increase, additional charges to expense, which could be material, could occur.

LIQUIDITY AND CAPITAL RESOURCES

The following discussion of liquidity and capital resources is on a consolidated Duke Energy basis. Duke Energy's significant cash requirements are largely due to the capital intensive nature of its operations, including capital expansion projects, fleet modernization and other expenditures for environmental compliance. Duke Energy relies upon its cash flows from operations, as well as its ability to access the long-term debt and equity capital markets for sources of domestic liquidity. Additionally, Duke Energy has access to unsecured revolving credit facilities, which are not restricted upon general market conditions, as discussed further below.

Cash Flow Information

The following table summarizes Duke Energy's cash flows:

	Six Months Ended June 30,	
(in millions)	**2012**	**2011**
Cash flows provided by (used in):		
Operating activities	**$ 2,002**	$ 1,717
Investing activities	**(2,391)**	(1,838)
Financing activities	**(195)**	(187)
Net decrease in cash and cash equivalents	**(584)**	(308)
Cash and cash equivalents at beginning of period	**2,110**	1,670
Cash and cash equivalents at end of period	**$ 1,526**	$ 1,362

Operating Cash Flows. The following table summarizes key components of Duke Energy's operating cash flows.

	Six Months Ended June 30,	
(in millions)	**2012**	**2011**
Net income	**$ 747**	$ 954
Non-cash adjustments to net income	**1,463**	1,283
Working capital	**(208)**	(520)
Net cash provided by operating activities	**$ 2,002**	$ 1,717

The increase in cash provided by operating activities in 2012 as compared to 2011 was driven primarily by:

- A $250 million increase in traditional working capital, mainly due to prior year refund of North Carolina overcollected fuel costs and current year overcollection of North Carolina and South Carolina fuel costs.

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Investing Cash Flows. The following table summarizes key components of Duke Energy's investing cash flows.

	Six Months Ended June 30,	
(in millions)	**2012**	**2011**
Capital, investment and acquisition expenditures	**$ (2,297)**	$ (1,991)
Available for sale securities, net	**(85)**	15
Proceeds from sales of equity investments and other assets, and sales of and collections on notes receivable	**23**	109
Other investing items	**(32)**	29
Net cash used in investing activities	**$ (2,391)**	$ (1,838)

The increase in cash used in investing activities in 2012 as compared to 2011 was driven primarily by:

- A $310 million increase in capital, investment and acquisition expenditures due to the timing of payments related to Duke Energy's ongoing infrastructure modernization program,
- A $100 million decrease in proceeds of available for sale securities, net of purchases, and
- A $90 million decrease primarily as a result of the prior year sale of Windstream Corp. stock received in conjunction with the sale of Q-Comm Corporation in December 2010.

Financing Cash Flows. The following table summarizes key components of Duke Energy's financing cash flows.

	Six Months Ended June 30,	
(in millions)	**2012**	**2011**
Issuance of common stock related to employee benefit plans	**$ 14**	$ 10
(Payments) Issuances of long-term debt, net	**(157)**	417
Notes payable and commercial paper	**631**	63
Dividends paid	**(670)**	(657)
Other financing items	**(13)**	(20)
Net cash used in financing activities	**$ (195)**	$ (187)

The increase in cash used in financing activities in 2012 as compared to 2011 was driven primarily by:

- A $570 million increase in payments for the redemption of long-term debt net of issuances, primarily due to the timing of redemptions and issuances between years and
- A $10 million increase in dividends paid in 2012 due to an increase in dividends per share from $0.735 to $0.75 in the third quarter of 2011.

These increases were offset by:

- A $570 million increase in net proceeds from the issuance of Commercial Paper and increased outstanding PremierNotes.

Significant Notes Payable and Long-Term Debt Activities - 2012.

DS Cornerstone, LLC, a 50/50 joint venture entity with a third-party joint venture partner, owns two wind generation projects and has executed a third party financing against the two against the two wind generation projects. In April 2012, Duke Energy and SCOA negotiated a $330 million, Construction and 12-year amortizing Term Loan Facility, on behalf of the borrower, a wholly owned subsidiary of the joint venture. The loan agreement is non-recourse to Duke Energy. Duke Energy received proceeds of $319 million upon execution of the loan agreement. This amount represents reimbursement of a significant portion of Duke Energy’s construction costs incurred as of the date of the agreement.

In March 2012, Duke Energy Indiana issued $250 million principal amount of first mortgage bonds, which carry a fixed interest rate of 4.20% and mature March 15, 2042. Proceeds from the issuance were used to repay a portion of Duke Energy Indiana’s outstanding short-term debt.

In January 2012, Duke Energy Carolinas used proceeds from its December 2011 $1 billion issuance of principal amount of first mortgage bonds to repay $750 million 6.25% senior unsecured notes that matured January 15, 2012.

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On April 4, 2011, Duke Energy filed a registration statement (Form S-3) with the Securities and Exchange Commission (SEC) to sell up to $1 billion (maximum of $500 million of notes outstanding at any particular time) of variable denomination floating rate demand notes, called PremierNotes. The notes are offered on a continuous basis and bear interest at a floating rate per annum determined by the Duke Energy PremierNotes Committee, or its designee, on a weekly basis. The interest rate payable on notes held by an investor may vary based on the principal amount of the investment. The notes have no stated maturity date, but may be redeemed in whole or in part by Duke Energy at any time. The notes are non-transferable and may be redeemed in whole or in part at the investor's option. Proceeds from the sale of the notes will be used for general corporate purposes. The balance as of June 30, 2012 and December 31, 2011, is $209 million and $79 million, respectively. The notes reflect a short-term debt obligation of Duke Energy and will be reflected as Notes Payable and Commercial Paper on Duke Energy's Condensed Consolidated Balance Sheets.

Available Credit Facilities and Restrictive Debt Covenants. In November 2011, Duke Energy entered into a new $6 billion, five-year master credit facility, with $4 billion available at closing and the remaining $2 billion available following successful completion of the merger with Progress Energy. The Duke Energy Registrants each have borrowing capacity under the master credit facility up to specified sublimits for each borrower. However, Duke Energy has the unilateral ability at any time to increase or decrease the borrowing sublimits of each borrower, subject to a maximum sublimit for each borrower. See the table below for the borrowing sublimits for each of the borrowers, including Progress Energy Carolinas and Progress Energy Florida as of July 2, 2012. The amount available under the master credit facility is reduced by the use of the master credit facility to backstop the issuances of commercial paper, letters of credit and certain tax-exempt bonds. Borrowing sub limits for the Subsidiary Registrants are also reduced for amounts outstanding under the money pool arrangement.

	July 2, 2012						
(in millions)	Duke Energy (Parent)	Duke Energy Carolinas	Progress Energy Carolinas	Progress Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Total Duke Energy
Facility Size	$ 1,750	$ 1,250	$ 750	$ 750	$ 750	$ 750	$ 6,000

First Mortgage Bond Restrictions. The Subsidiary Registrants' first mortgage bonds, including those of Progress Energy Carolinas' and Progress Energy Florida's, are secured under their respective mortgage indentures. Each mortgage constitutes a first lien on substantially all of the fixed properties of the respective company, subject to certain permitted encumbrances and exceptions. The lien of each mortgage also covers subsequently acquired property. Each mortgage allows the issuance of additional first mortgage bonds based on property additions, retirements of first mortgage bonds and the deposit of cash if certain conditions are satisfied. In order to issue new first mortgage bonds other than on the basis of retired bonds, the mortgage bond indentures require that the issuer's adjusted net earnings, which is calculated based on results for 12 consecutive months within the prior 15 months, be at least twice the annual interest requirement for bonds currently outstanding and to be outstanding. Progress Energy Florida's and Duke Energy Indiana's ratio of net earnings to the annual interest requirement for bonds outstanding was below 2.0 times at June 30, 2012. Progress Energy Florida's net earnings were impacted by a $288 million pre-tax charge recorded in December 2011 for amounts to be refunded to customers under the terms of a February

2012 settlement agreement approved by the Florida Public Service Commission. Duke Energy Indiana's net earnings were impacted by a $420 million pre-tax charge recorded in the first quarter of 2012 related to the Edwardsport IGCC project. Until this ratio is above 2.0 times, Progress Energy Florida's and Duke Energy Indiana's capacity to issue first mortgage bonds is limited to a portion of retired first mortgage bonds. In the event Progress Energy Florida's or Duke Energy Indiana's long-term debt requirements exceed their first mortgage bond capacity, Progress Energy Florida or Duke Energy Indiana can access alternative sources of capital, including, but not limited, to issuing unsecured public debt or through private placement, borrowing under the money pool, entering into bilateral direct loan arrangements, and, if necessary, utilizing the available capacity under the master credit facility.

Restrictive Debt Covenants. The Duke Energy Registrants' debt and credit agreements contain various financial and other covenants. The master credit facility contains a covenant requiring the debt-to-total capitalization ratio to not exceed 65% for each borrower. Failure to meet those covenants beyond applicable grace periods could result in accelerated due dates and/or termination of the agreements. As of June 30, 2012, each of the Duke Energy Registrants was in compliance with all covenants related to its significant debt agreements. In addition, some credit agreements may allow for acceleration of payments or termination of the agreements due to nonpayment, or the acceleration of other significant indebtedness of the borrower or some of its subsidiaries. None of the significant debt or credit agreements contain material adverse change clauses.

Credit Ratings. On July 25, 2012, Standard and Poor's affirmed Duke Energy and Progress Energy's short-term credit ratings of A-2. Standard and Poor's also affirmed its ratings on Duke Energy Carolinas, Progress Energy Carolinas, Progress Energy Florida, Duke Energy Ohio and Duke Energy Indiana's first-mortgage bonds at A. However, Standard and Poor's lowered its corporate credit rating for Duke Energy, Duke Energy Carolinas, Duke Energy Indiana, Duke Energy Ohio and Duke Energy Kentucky to BBB+ from A- with a negative outlook, citing lack of transparency and heightened regulatory risk around the CEO transition. Standard and Poor's affirmed Progress Energy's corporate credit rating and its subsidiaries ratings at BBB+ as well as its A-2 short-term rating. Standard and Poor's negative outlook for Duke Energy and all of its subsidiaries' is based on increased regulatory risk in North Carolina and Florida and concerns over Duke Energy's ability to successfully integrate Progress Energy.

On July 3, 2012, Moody's affirmed their ratings for the new merged Duke Energy and its subsidiaries with a stable outlook. On July 6, 2012, Fitch Ratings initiated coverage on Duke Energy and its subsidiaries. These ratings are investment grade and are on stable outlook. On June 22, Fitch Ratings affirmed their ratings for Progress Energy and its subsidiaries prior to the merger consummation.

A further downgrade below the Duke Energy Registrants', including Progress Energy and its subsidiaries, current investment grade ratings would likely result in an increase in the entities' borrowing costs, perhaps significantly. In addition, the Duke Energy Registrants', including Progress Energy and its subsidiaries, potential pool of investors and funding sources would likely decrease. A downgrade below investment grade could also require the Duke Energy Registrants, including Progress Energy and its subsidiaries, to post additional collateral in the form of letters of credit or cash under various commodity contracts and credit agreements and trigger termination clauses in some interest rate derivative agreements, which would require cash payments. All of these events would likely reduce the Duke Energy Registrants', including Progress Energy and its subsidiaries, liquidity and profitability and could have a material adverse effect on the Duke Energy Registrants', including Progress Energy and its subsidiaries, financial position, results of operations or cash flows.

Undistributed Foreign Earnings. Undistributed earnings associated with Duke Energy's foreign operations are considered indefinitely reinvested, thus no U.S. tax is recorded on such earnings. This assertion is based on management's determination that the cash held in Duke Energy's foreign jurisdictions is not

needed to fund its U.S. operations and that Duke Energy either has invested or has intentions to reinvest such earnings. Duke Energy periodically evaluates the impact of repatriation of cash generated and held in foreign countries. While Duke Energy's current intent is to indefinitely reinvest foreign earnings, circumstances could arise that may alter that view, including a future change in tax law governing U.S. taxation of foreign earnings or changes in Duke Energy's U.S. cash flow requirements. If Duke Energy were to decide to repatriate foreign generated and held cash

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previously designated as undistributed earnings, recognition of material U.S. federal income tax liabilities would be required to be recognized in the period such determination is made. The cumulative undistributed earnings as of June 30, 2012, on which Duke Energy has not provided deferred U.S. income taxes and foreign withholding taxes is $1.7 billion. The amount of unrecognized deferred tax liability related to these undistributed earnings is estimated to be between $175 million and $225 million.

OTHER ISSUES

Global Climate Change. For information on global climate change and the potential impacts on Duke Energy, see “Other Issues” in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Duke Energy’s Annual Report on Form 10-K for the year ended December 31, 2011.

Merger with Progress Energy Inc. See Note 2 to the Unaudited Condensed Consolidated Financial Statements, “Acquisitions” for information related to Duke Energy’s pending merger with Progress Energy, Inc.

Nuclear Matters. Following the events at the Fukushima Daiichi nuclear power station in Japan, Duke Energy conducted thorough inspections at each of our four nuclear sites during 2011. The initial inspections have not identified any significant vulnerabilities, however, Duke Energy is reviewing designs to increase safety margins to external events. Emergency-response capabilities, written procedures and engineering specifications were reviewed to verify each site’s ability to respond in the unlikely event of station blackout or record flood. In 2012, Duke Energy is working to establish industry best practices and improve the safety standards and margin using the three layers of safety approach used in the U.S.: protection, mitigation and emergency response. Emergency equipment is currently being added at each station to perform key safety functions in the event that backup power sources are lost permanently. These improvements are in addition to the numerous layers of safety measures and systems previously in place.

In March 2011, the NRC formed a task force to conduct a comprehensive review of processes and regulations to determine whether the agency should make additional improvements to the nuclear regulatory system. On July 13, 2011, the task force proposed a set of improvements designed to ensure protection, enhance accident mitigation, strengthen emergency preparedness and improve efficiency of NRC programs. The recommendations were further prioritized into three tiers based on the safety enhancement level. On March 12, 2012, the NRC issued three regulatory orders requiring safety enhancements related to mitigation strategies to respond to extreme natural events resulting in the loss of power at a plant, ensuring reliable hardened containment vents and enhancing spent fuel pool instrumentation. The NRC held public meetings with stakeholders to develop implementation guidance that is expected to be issued by the NRC in August 2012. Plants are then required to submit implementation plans to the NRC by February 28, 2013, and complete implementation of the safety enhancements within two refueling outages or by December 31, 2016, whichever comes first. Each plant is also required to reassess their seismic and flooding hazards using present-day methods and information, conduct inspections to ensure protection against hazards in the current design basis, and re-evaluate emergency communications systems and staffing levels. In May 2012, the NRC issued guidance on re-evaluating emergency communications systems and staffing levels and performing seismic and flooding walkdowns. The NRC is expected to issue guidance on performing seismic and flooding re-evaluations in November 2012. Notices for Tier 2 and 3 recommendations are expected to be issued later this year.

Duke Energy is committed to compliance with all safety enhancements ordered by the NRC, the cost of which could be material. With the NRC’s continuing review of the remaining recommendations, Duke

Energy cannot predict to what extent the NRC will impose additional licensing and safety-related requirements, or the costs of complying with such requirements. The tight timeframe required to complete the necessary safety enhancements by no later than 2016 could lead to even higher costs. Upon receipt of additional guidance from the NRC and a collaborative industry review, Duke Energy will be able to determine an implementation plan and associated costs. See Item 1A, “Risk Factors”, in the 2011 Form 10-K for further discussion of applicable risk factors.

OFF-BALANCE SHEET ARRANGEMENTS

The following discussion of off balance sheet arrangements and contractual obligations is on a consolidated Duke Energy basis. During the six months ended June 30, 2012, there were no material changes to Duke Energy’s off-balance sheet arrangements. For information on Duke Energy’s off-balance sheet arrangements, see “Off-Balance Sheet Arrangements” in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Duke Energy’s Annual Report on Form 10-K for the year ended December 31, 2011.

CONTRACTUAL OBLIGATIONS

Duke Energy enters into contracts that require cash payment at specified periods, based on specified minimum quantities and prices. During the three months ended June 30, 2012, there were no material changes in Duke Energy’s contractual obligations. For an in-depth discussion of Duke Energy’s contractual obligations, see “Contractual Obligations” and “Quantitative and Qualitative Disclosures about Market Risk” in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Duke Energy’s Annual Report on Form 10-K for the year ended December 31, 2011.

NEW ACCOUNTING STANDARDS

The following new Accounting Standards Updates (ASU) have been issued, but have not yet been adopted by Duke Energy, as of June 30, 2012.

ASC 210—Balance Sheet. In December 2011, the FASB issued revised accounting guidance to amend the existing disclosure requirements for offsetting financial assets and liabilities to enhance current disclosures, as well as to improve comparability of balance sheets prepared under U.S. GAAP and IFRS. The revised disclosure guidance affects all companies that have financial instruments and derivative instruments that are either offset in the balance sheet (i.e., presented on a net basis) or subject to an enforceable master netting arrangement and/or similar agreement. The revised guidance requires that certain enhanced quantitative and qualitative disclosures be made with respect to a company’s netting arrangements and/or rights of setoff associated with its financial instruments and/or derivative instruments including associated collateral. For the Duke Energy Registrants, the revised disclosure guidance is effective on a retrospective basis for interim and annual periods beginning January 1, 2013. Other than additional disclosures, this revised guidance does not impact the consolidated results of operations, cash flows or financial position of Duke Energy.

SUBSEQUENT EVENTS

For information on subsequent events related to acquisitions and sales of other assets, regulatory matters, commitments and contingencies, and earnings per share see Notes 2, 4, 5 and 12, respectively, to the Unaudited Condensed Consolidated Financial Statements.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no significant changes from the disclosures presented in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2011. For an in-depth discussion of Duke Energy's market risks, see "Management's Discussion and Analysis of Quantitative and Qualitative Disclosures about Market Risk" in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2011.

ITEM 4. CONTROLS AND PROCEDURES. – DUKE ENERGY, DUKE ENERGY CAROLINAS, DUKE ENERGY OHIO, DUKE ENERGY INDIANA

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed by the Duke Energy Registrants in the reports they file or submit under the Securities Exchange Act of 1934 (Exchange Act) is recorded, processed, summarized, and reported, within the time periods specified by the Securities and Exchange Commission's (SEC) rules and forms.

Disclosure controls and procedures include, without limitation, controls and procedures designed to provide reasonable assurance that information required to be disclosed by the Duke Energy Registrants in the reports they file or submit under the Exchange Act is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, the Duke Energy Registrants have evaluated their effectiveness of their disclosure controls and procedures (as such term is defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of June 30, 2012, and, based upon this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are effective in providing reasonable assurance of compliance.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, the Duke Energy Registrants have evaluated changes in internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the fiscal quarter ended June 30, 2012 and have concluded no change has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

On July 2, 2012, the previously announced merger between Duke Energy and Progress Energy closed. Duke Energy is currently in the process of integrating Progress's operations and will be conducting control reviews pursuant to Section 404 of the Sarbanes-Oxley Act of 2002. See Note 2 of the "Notes to the Condensed Consolidated Financial Statements" in "Item 1 Financial Statements" for additional information relating to the merger.

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ITEM 1. LEGAL PROCEEDINGS.

For information regarding legal proceedings that became reportable events or in which there were material developments in the second quarter of 2012, see Note 4 to the Unaudited Condensed Consolidated Financial Statements, “Regulatory Matters” and Note 5 to the Unaudited Condensed Consolidated Financial Statements, “Commitments and Contingencies” under the heading “Litigation.”

ITEM 1A. RISK FACTORS.

Please see below an update to risk factors affecting Duke Energy’s business in addition to those presented in our Annual Report on Form 10-K, Part I, Item 1A, for the year ended December 31, 2011. Except for the update below, there have been no material changes in our assessment of our risk factors from those set forth in our Annual Report on Form 10-K for the year ended December 31, 2011. For further detailed information regarding the risk factor below, refer to the Progress Energy Second Quarter 2012 Form 10-Q.

The scope of necessary repairs of the delamination of Progress Energy Florida’s Crystal River Unit 3 could prove more extensive than is currently identified, such repairs could prove not to be feasible resulting in early retirement of the unit, the costs of repair and/or replacement power could exceed estimates and insurance coverage or may not be recoverable through the regulatory process; the occurrence of any of which could adversely affect Duke Energy’s and Progress Energy Florida’s financial condition, results of operations and cash flows.

In September 2009, Crystal River Unit 3 began an outage for normal refueling and maintenance as well as an uprate project to increase its generating capability and to replace two steam generators. During preparations to replace the steam generators, workers discovered a delamination (or separation) within the concrete at the periphery of the containment building, which resulted in an extension of the outage. After analysis, Progress Energy Florida determined that the concrete delamination was caused by redistribution of stresses in the containment wall that occurred when Progress Energy Florida engineers created an opening to accommodate the replacement of the unit’s steam generators.

In March 2011, the work to return the plant to service was suspended after monitoring equipment at the repair site identified a new delamination that occurred in a different section of the outer wall after the repair work was completed and during the late stages of retensioning the containment building. Subsequent to March 2011, monitoring equipment has detected additional changes and further damage in the partially tensioned containment building and additional cracking or delaminations could occur during the repair process. Crystal River Unit 3 has remained out of service while Progress Energy Florida conducted an engineering analysis and review of the new delamination and evaluated repair options.

In June 2011, Progress Energy Florida notified the NRC and the FPSC that it plans to repair the Crystal River Unit 3 containment structure and estimates the unit will return to service in 2014. The repair option selected entails systematically removing and replacing concrete in substantial portions of the containment structure walls. The preliminary estimate of $900 million to $1.3 billion, as filed with the FPSC on June 27, 2011, is currently under review and could change following completion of further detailed engineering studies, vendor negotiations and final risk assessments. These engineering studies and risk assessments include analyses by independent entities currently in progress. The risk assessment process includes analysis of events that, although currently deemed unlikely, could have a significant impact on the cost

estimate or feasibility of repair. The cost range of the repair option, based on preliminary analysis, appears to be trending upward. Progress Energy Florida believes the actions taken and costs incurred in response to the Crystal River Unit 3 delamination have been prudent and, accordingly, believe that replacement power and repair costs not recoverable through insurance to be recoverable through Progress Energy Florida's fuel cost-recovery clause or base rates.

Additionally, as of result of the potential repair challenges, the unit could be forced to be retired early. Early retirement could result in continued purchases of replacement power, additional capital and operating costs associated with construction of replacement capacity resources, and impairments of unrecoverable portions of the retired plant.

While the foregoing reflects Progress Energy Florida's current intentions and estimates with respect to Crystal River Unit 3, the costs, timing and feasibility of additional repairs to Crystal River Unit 3, the cost of replacement power, and the degree of recoverability of these costs, are all subject to significant uncertainties. Additional developments with respect to the condition of the Crystal River Unit 3 structures, costs that are greater than anticipated, recoverability that is less than anticipated and/or the inability to return Crystal River Unit 3 to service all could adversely affect Duke Energy's and Progress Energy Florida's financial condition, results of operations and cash flows.

In addition to the other information set forth in this report, careful consideration should be given to the factors discussed in Part I, "Item 1A. Risk Factors" in Duke Energy's, Duke Energy Carolinas', Duke Energy Ohio's and Duke Energy Indiana's Annual Report on Form 10-K for the year ended December 31, 2011, which could materially affect the Duke Energy Registrants' financial condition or future results.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

ISSUER PURCHASES OF EQUITY SECURITIES FOR THE SECOND QUARTER of 2012

There were no issuer purchases of equity securities during the second quarter of 2012.

ITEM 5. OTHER INFORMATION.

Departure of Directors

On July 27, 2012, John D. Baker II and Theresa M. Stone, each directors of Duke Energy, resigned from the Board of Directors of Duke Energy (the "Board"), effective immediately. Mr. Baker, who has served as a Director of Duke Energy or its predecessor companies since 2009, was a member of the Board's Compensation Committee and Regulatory Policy and Operations Committee. Ms. Stone, who has served as a Director of Duke Energy or its predecessor companies since 2005, was Chair of the Board's Audit Committee and was a member of the Finance & Risk Management Committee.

Based on Mr. Baker's and Ms. Stone's resignation letters, it is Duke Energy's understanding that they determined to resign, in part, due to the Board's actions on July 2, 2012 regarding the decision to make a change in the Chief Executive Officer of the Company.

Impact of Reverse Stock Split on Earnings Per Share

Immediately preceding the merger with Progress Energy on July 2, 2012, Duke Energy completed a one-for-three reverse stock split with respect to the issued and outstanding shares of Duke Energy common stock. The shareholders of Duke Energy approved the reverse stock split at Duke Energy's special meeting of shareholders held on August 23, 2011.

PART II – OTHER INFORMATION

The table below includes the currently reported and previously reported earnings per share information for the three most recently completed fiscal years and the three months ended March 31, 2012. The currently reported information reflects retrospective adjustment of the effect of the one-for-three reverse stock split.

		As Currently Reported		As Previously Reported	
(In millions, except per-share amounts)	**Income**	**Average Shares**	**EPS**	**Average Shares**	**EPS**
Three Months Ended March 31, 2012					
Income from continuing operations attributable to Duke Energy common shareholders, as adjusted for participating securities — basic and diluted	$ 292	446	$ 0.66	1,337	$ 0.22
Year Ended December 31, 2011					
Income from continuing operations attributable to Duke Energy common shareholders, as adjusted for participating securities — basic	$ 1,702	444	$ 3.83	1,332	$ 1.28
Effect of dilutive securities:					
Stock options, performance and restricted stock				1	
Income from continuing operations attributable to Duke Energy common shareholders, as adjusted for participating securities — diluted	1,702	444	$ 3.83	1,333	$ 1.28
Year Ended December 31, 2010					
Income from continuing operations attributable to Duke Energy common shareholders, as adjusted for participating securities — basic	$ 1,315	439	$ 2.99	1,318	$ 1.00
Effect of dilutive securities:					
Stock options, performance and restricted stock		1		1	
Income from continuing operations attributable to Duke Energy common shareholders, as adjusted for participating securities — diluted	1,315	440	$ 2.99	1,319	$ 1.00
Year Ended December 31, 2009					
Income from continuing operations attributable to Duke Energy common shareholders, as adjusted for participating securities — basic	$ 1,061	431	$ 2.46	1,293	$ 0.82
Effect of dilutive securities:					
Stock options, performance and restricted stock				1	
Income from continuing operations attributable to Duke Energy common shareholders, as adjusted for participating securities — diluted	1,061	431	$ 2.46	1,294	$ 0.82

PART II – OTHER INFORMATION

ITEM 6. EXHIBITS

(a) Exhibits

Exhibits filed or furnished herewith are designated by an asterisk (*).

Exhibit Number		Duke Energy	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana
*10.1	Amendment dated as of June 27, 2012, to the Employment Agreement, dated as of February 19, 2009 by and between James E. Rogers and Duke Energy Corporation	X			
*10.2	Second Amendment, dated as of July 3, 2012 to the Employment Agreement dated as of February 19, 2009, by and between James E. Rogers and Duke Energy Corporation	X			
*10.3	Amendment to Duke Energy Corporation 2010 Long-Term Incentive Plan	X			
*12	Computation of Ratio of Earnings to Fixed Charges	X			
*31.1	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X			
*31.2	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X			
*31.3	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.		X		
*31.4	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.		X		
*31.5	Certification of the Chief Executive Officer Pursuant to			X	

	Section 302 of the Sarbanes-Oxley Act of 2002.					
*31.6	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X	
*31.7	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
*31.8	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
*32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X				
*32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X				
*32.3	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.			X		
*32.4	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.			X		
*32.5	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X	
*32.6	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X	
*32.7	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
*32.8	Certification Pursuant to 18 U.S.C. Section 1350, as					X

	Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
*101.INS	XBRL Instance Document	X	X	X	X
*101.SCH	XBRL Taxonomy Extension Schema Document	X	X	X	X
*101.CAL	XBRL Taxonomy Calculation Linkbase Document	X	X	X	X
*101.LAB	XBRL Taxonomy Label Linkbase Document	X	X	X	X
*101.PRE	XBRL Taxonomy Presentation Linkbase Document	X	X	X	X
*101.DEF	XBRL Taxonomy Definition Linkbase Document	X	X	X	X

The total amount of securities of the registrant or its subsidiaries authorized under any instrument with respect to long-term debt not filed as an exhibit does not exceed 10% of the total assets of the registrant and its subsidiaries on a consolidated basis. The registrant agrees, upon request of the Securities and Exchange Commission (SEC), to furnish copies of any or all of such instruments to it.

PART II

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned thereunto duly authorized.

DUKE ENERGY CORPORATION

DUKE ENERGY CAROLINAS, LLC

DUKE ENERGY OHIO, INC.

DUKE ENERGY INDIANA, INC.

Date: August 8, 2012 /S/ LYNN J. GOOD

Lynn J. Good

Executive Vice President and Chief Financial Officer

Date: August 8, 2012 /S/ STEVEN K. YOUNG

Steven K. Young

Vice President, Chief Accounting Officer, and Controller